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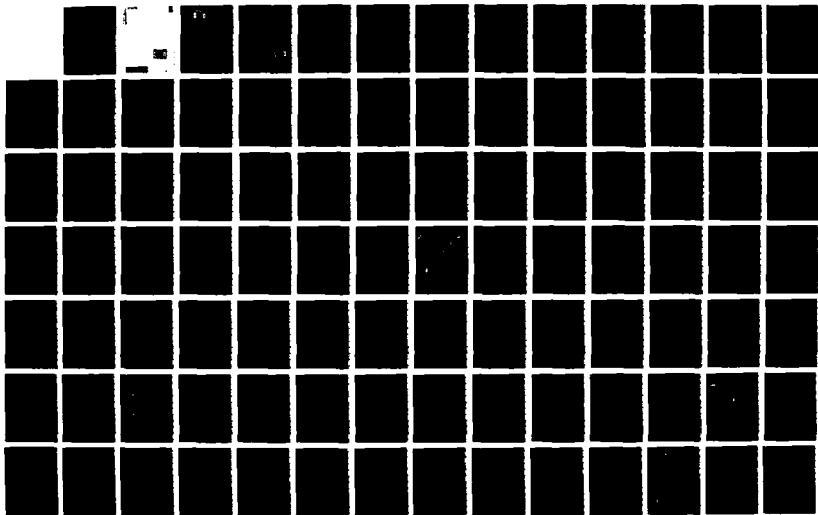
STRATEGY HANDBOOK FOR RECREATIONAL SMALL BOAT HARBOR  
FINANCING(U) GREELEY-POLHEMUS GROUP INC WEST CHESTER PA  
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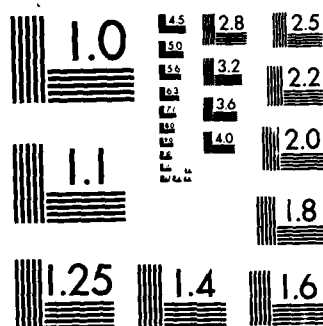
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STRATEGY HANDBOOK FOR RECREATIONAL  
SMALL BOAT HARBOR FINANCING

by

Van Dyke Polhemus

and

Gail S. Keyes

A Report Submitted to the

U. S. ARMY CORPS OF ENGINEERS  
INSTITUTE FOR WATER RESOURCES  
FORT BELVOIR, VIRGINIA 22060

by

The Greeley-Polhemus Group, Inc.  
105 South High Street  
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under

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IWR Report 88-R-1



## PREFACE

This Handbook was prepared with the assistance of many people who willingly provided their time and sources of information. The information presented here is factual and was taken from documents provided by them, as well as from extensive interviews. We wish to acknowledge the efforts by the following people:

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## CHAPTER I

### INTRODUCTION

Small boat harbor projects or marinas provide an opportunity for economic development in many waterfront communities. As simple stand-alone marinas, or in conjunction with economic redevelopment and revitalization projects, small boat harbor projects can provide benefits, in addition to recreation opportunities, in the form of new jobs, spin-off economic development, increased local municipal revenues and aesthetics.

In situations where planning studies for recreational small boat harbors lead to infeasible projects from a National Economic Development perspective, or where no Federal interest exists, there is a need to develop methods to determine alternative non-Federal financing and investment options for the affected communities. A case in point is the City of Kenosha, Wisconsin, on Lake Michigan, which has been seeking support for development of a recreational boat harbor from the Department of the Army. The City's proposed Gateway Marina and Harbor Project is an integral part of their Land Uses and Transportation Strategy for revitalizing their downtown area and for encouraging local economic growth.

The City of Kenosha was seeking support under the Department of the Army's Small Navigation Projects Authority (Section 107, River and Harbor Act of 1960, as amended). Under this authority, the U.S. Army Corps of Engineers (COE) can assist local governments in the planning, design, and construction of small navigation projects. However, because of limited fiscal resources, current policy precludes the COE from participating in such small navigation projects which provide primarily (over 50 percent) recreational benefits. In a September 2, 1986 "Memorandum of Understanding" between the Department of the Army and the City of Kenosha, the City concurred with the COE's termination of its Section 107 Small Boat Harbor Study Project for Kenosha Harbor. The City also expressed its intent to design, build, and maintain its own breakwater and marina facilities.

Although the COE will not participate in further design or construction of the Kenosha Harbor Project, a commitment was made to provide the City technical assistance in identifying alternative financing/investment options available to them. One objective of this effort was to go beyond the particulars of the Kenosha situation and develop some materials which are generally applicable to the development of recreational boat harbors using, primarily, non-Federal funding sources. This information would not only be of assistance to other local and regional governmental entities, but could also assist the COE in limiting demands for these types of development under the auspices of its Civil Works Program.

As a result, five marina projects, either recently completed or under construction, were identified for case study. The five case study sites are Port Washington Marina, Port Washington, Wisconsin; Racine Marina, Racine, Wisconsin; North Point Marina, Lake County, Illinois; Spud Point Marina, Sonoma County, California; and Miami Beach Marina, Miami Beach, Florida. Findings from these studies were used to identify important factors that must be

considered in developing financing plans, as well as several alternative financing approaches, which could be used by communities that would like to build a marina. General procedures for identifying and evaluating financing options are developed and "tested" on the City of Kenosha, Wisconsin.

#### PURPOSE AND SCOPE

The objective of this Handbook is to provide guidelines for identifying and evaluating alternative, primarily non-Federal, sources for the funding of recreational small boat harbor projects.

Although the emphasis of this Handbook is on issues related to funding, it is recognized that this is but one step in the successful implementation of good development plans. As such, an overview of some of the other key steps that must be in place before financing can be achieved are described in Chapter II. Also provided in Chapter II are descriptions of the general methods of financing that are available for marina projects and a listing of alternative funding sources. Chapter III provides a brief summary of the case studies that were developed for this Handbook.

Many factors, such as the size of the proposed project, taxing and bonding authority of the local community, and the availability of state programs and private sources, affect the appropriateness of alternative funding sources, for use in specific projects. Guidelines for providing a preliminary review of funding sources have, therefore, been developed and are described in Chapter IV. These guidelines also address some of the other key steps that must be taken before financing can be achieved. An example of the use of these guidelines, as applied to the Kenosha Harbor Project, is presented in Chapter V.

One thing learned from the case study analysis, is that no two marina planning and financing scenarios will be exactly the same. Successful strategies have to be flexible and responsive to changing environmental, political and economic conditions that will prevail during the planning, design and implementation stages of a marina project. It is important to learn from the case studies, not only what was done, but why and how a particular strategy was used under the conditions prevailing at that time. Detailed descriptions of the case studies are, therefore, provided in Appendices A-E. These descriptions provide the reader with an additional resource that expands on the general guidelines. The resource is not only a general listing of factors to be considered and financing options available, but the synergism that made certain combinations of plans effective under different environmental, political and economic conditions.

#### INFORMATION SOURCES

Many sources of information were used to identify funding alternatives and to develop a screening methodology for recreational boat harbor and marina projects for this Handbook. Pertinent literature was reviewed and contacts made with individuals involved in the field of marine project design, feasibility, and development. Trade associations and financial institutions

were contacted in order to gain a comprehensive understanding of general financing and currently available cost-recovery options.

In order to gain a more thorough knowledge of the approaches used by various municipalities to implement a marina project, the five case studies were developed of projects either recently completed or under construction. Also, a survey questionnaire was mailed to a sample of marina owners/operators selected from the "National Recreational Boating Facilities Inventory", obtained from the International Marina Institute. Information obtained from this survey was used in the selection of the case study sites, as well as in identifying a range of situations where different approaches to funding would provide informative examples.



## CHAPTER II

### OVERVIEW OF MARINA IMPLEMENTATION

As with any complex development project, financing is only one part of the successful implementation of good plans. This Handbook addresses financing of marina projects in the context of successful project implementation. As a result, financing a marina project is as much involved with who the players are and what problems are encountered and how they are solved, as with what are the sources of private and public funds that may be used in project funding. This interrelationship is based on the need to show that the marina project will be successful in order to attract the necessary financing, either from public or private sources. Therefore, financing a marina project is the last of the interdependent steps in planning and organizing a project.

This chapter provides an overview of the key steps that must be in place before financing can be achieved. This presentation is based on review of marina development projects, the problems that were encountered, and the success in overcoming them.

Key steps in the implementation of a marina project include:

- o Planning Strategy
- o Demand Analysis
- o Environmental Issues/Permits
- o Public/Private Sector Issues
- o Financing

These steps are interdependent; they involve commitment and effort by individuals to accomplish them, and, of course, costs are incurred as they are completed.

Before discussing these key factors, some common findings are presented that relate to successful project funding.

#### Common Findings

Based on observations from the marina case studies and previous environmental resources management projects, there are some findings that are important to structuring a successful project. These common elements include:

- o Timing of Project Effort
- o Commitment to Project
- o Need for Key Individuals
- o Local Public and Business Support
- o Attractiveness to Decision-Makers

**Timing:** The planning and implementation of a marina project sometimes involves a lengthy process. The case study projects were in various stages of "thinking" and "early planning" through final design and funding for at least five to ten years and for as much as fifty years for some. Also, it appears that some projects may have been built as a matter of luck. The circumstances

of the times made political factors, economic conditions, funding programs, local commitment and other factors fall into place, whereas, under different times, the project would not have succeeded.

Commitment: Commitment involves the willingness of the local government to support the project, to spend money to understand the feasibility of the proposed project and later to plan, design, test and implement the project. Although some local resistance may be apparent in all of the successful case study projects, funding was usually arranged for these community activities with little effort. Because of the riskiness at the very early stages of a marina project, some of the early project funding was provided by outside sources (e.g., prominent local industries provided necessary up-front "seed money" in some cases). Typically, grants, matching funds and loans from state agencies provided these funds. Under some circumstances, even corporation personnel and state employees were "loaned" to the marina project to provide the needed expertise and direction.

Key Individuals: Key individuals are also a significant factor in the successful implementation of projects. Many times a key individual leads the project and provides the energy to keep the project on track. Sometimes, these key people are hired professionals, but in many cases, they are dedicated agency staff members, local community representatives and even industry personnel. In every case study where key personnel were effective, they either were previously astute with respect to the political process and its potential role in funding a project, or quickly learned how to use the political process. For some of the marina case studies presented here, high-level government decisions were instrumental in securing project funding through legislative actions (general fund appropriations) and directives (i.e., Racine and North Point Marinas). The key individuals were always significant in making these decisions happen.

Sometimes a group of highly energetic people were effective in making a project happen. Although no single person was the factor, they succeeded, as a group, in obtaining the necessary technical advice and lobbying key decision-makers to support their project.

Support: Successful projects are often supported by the local business community and public. Frequently, the business community has taken the lead and is attempting to revitalize its local businesses. In these cases, the local "Economic Development Group" provides the necessary local enthusiasm for the project and brings the community into the project. Local chambers of commerce, civic organizations, and other similar groups, frequently play these roles.

This support ties the project together. Local officials, Federal, state and county political figures and lobbyists are all part of opening the pathways to potential funding sources and assuring a receptive audience when the critical applications are submitted. Support at these political levels can be "earned" by developing strategies to inform legislators and other decision-makers of the need for and value of a project. The North Point Marina project, for example, used several events, including social activities and family

outings in and around the proposed marina site to gain support of state legislators who eventually approved \$28 million for the project.

Financially Attractive Project: A fundamental factor in gaining support for a project involves showing that the project can pay for itself. For example, proposed funding for the North Point Marina was to be structured with a significant amount of money (\$28 million) from state appropriations and fuel taxes. When the funding proposal to the State of Illinois was modified to show revenues from slip rentals as a way to pay back the principal (instead of taxpayers' money) and to use the future profits of the marina to provide funds for erosion control and beach stabilization, the project was approved.

It is always apparent that the need for capital funding of projects exceeds the available resources. In order to improve the priority of a project, the decision-makers have to be convinced that the project is attractive.

The following sections consider the more traditional components of project implementation.

#### IMPLEMENTATION PROCESS

##### Planning Strategy

A successful marina project needs to be planned carefully. Usually, this means the project has been discussed at the community level, and the decision is made to hire a consultant to prepare a feasibility study. Is the marina to be a simple marina or to be structured with economic redevelopment objectives? Where should the marina be located? How will it integrate with, for example, the existing or modified uses of existing businesses and infrastructure? What is the private sector's role in building and operating the project? What will it cost to implement the public part of the plan? Will the community operate the marina or lease the site for private development? Are there any apparent obstacles to the project, such as environmentally sensitive waterfront areas, wetlands, ownership of bottom lands for the lake or bay? What are the tangible benefits of the project?

This planning should be done and evaluated by the community's representatives and selected experts and the costs of the proposed project should be reviewed, including the likely costs of design, testing and implementation and the capital and construction costs.

Planning should include a sequence of steps:

1. Local agreement to look into the feasibility of a marina project.
2. Selection of a consultant to evaluate marina feasibility and demand for marina use.
3. Local decision regarding the consultant recommendations.
4. Selection of key person(s) to lead effort, and, possibly, a lobbyist.
5. Preparation of a plan to build a marina, including design, engineering and costs, plus testing.
6. Contact with funding agencies, financial institutions, and other sources of funds.

7. Review of project status, environmental meetings, project promotional efforts.
8. Obtain permits.
9. Prepare final funding arrangements.
10. Advertise for construction bids.
11. Rent/lease facilities.

This process is overly simplified here. This process involves commitment of time and local resources that must be understood in advance.

#### Demand Analysis

Although presented earlier as a part of the planning strategy, understanding the demand for use of the proposed marina is a key step. In some cases, formal studies have been prepared. Historic local and regional demographics, income levels, and boat ownership data are evaluated and extrapolated for future estimates and then compared against existing boat slip capacity in order to determine the shortfall. In other cases, rumors and hearsay of waiting lists, and pent-up demand for marina use seems to provide the basis for marina planning.

Several problems are apparent from inadequate information about the demand for a facility: (1) Facilities that are not needed can be built; (2) Facilities that are needed may not be built; (3) Facilities may be oversized; and, (4) Facilities may be undersized. Factors determining the project's size, how many boat slips, the demand for hotels, restaurants, boat repair, parks, parking and other factors associated with marinas have to be properly assessed. As an example, the consultants for the North Point Marina project evaluated the initially proposed 600-slip size of the project against potential revenues and the projected costs of breakwater construction (costs which increase significantly with water depth, hydraulic and geologic conditions) and other project costs. The result was a decision to enlarge the marina to 1,500 boat slips.

In some areas, it is apparent that numerous marina projects are being considered independently by neighboring communities, and if all are built, there will be excessive marina capacity. Therefore, as a function of demand, price is also a major factor in the success (the demand for) of a new marina. How will the new marina's slip rental prices compare with other existing marinas? If prices are higher, the slips may not be rented, although in some cases, extra amenities in a new marina seem to offset the higher price.

This also brings up the matter of private vs. public ownership and operation. Typically, private ownership of facilities or lease arrangements may mean higher slip rental prices than may be charged for a comparable facility under public ownership and operation. This difference relates to the private sector's need to pay taxes and produce profits and return on investment, as well as to the public sector's frequent under-reporting of expenditures. A recent publication of the National Marina Manufacturers Association, Financial Profiles of Ten Marinas (by Douglas G. Norvell and David G. Egler of Western Illinois University) describes the revenues and expenditures of selected marinas. In some cases, it appears that maintenance costs, insurance, fringe, utility and other costs are under-reported and that local taxpayers subsidize

public marinas. As a result, it is necessary to demonstrate that other impacts (e.g., increase in sales tax revenues) are sufficient to cover the subsidy of the marina operation.

#### Spin-Off Economic Activity

The planning strategy should also directly address spin-off economic activity. What businesses will be located at the marina? What kinds of businesses will provide support? What kind of people, including their origins, income, and needs, will come to the marina? Will they use the local downtown area or import their supplies from home? Will the aesthetics of a new marina attract tourists? All of the case studies indicated that decisions to build a marina were based, to some extent, on hoped-for economic renewal, and some had conducted regional impact studies. None, however, had conducted any formal evaluation of the likely spin-off economic effects on existing local businesses.

In the past, many waterfront communities developed with emphasis on the industrial and manufacturing potential of their waterfronts. Over the years, many of these communities have experienced out-migration of industry and a deterioration of local economies. The recreation potential of these waterfront areas, however, provides them an opportunity to revive their local economies with boating and recreation replacing the traditional activities.

Spin-off benefits are generally assumed to follow the construction of a marina project. Hoped for rebirth of old downtown areas and expansion of nearby businesses are generally paramount in the local plan. However, over expectations may be a problem.

As an example, the Inner Harbor project for downtown Baltimore, Maryland, was billed as a key to the redevelopment of the rundown waterfront and the low income housing areas contiguous to the project. Definitely, the waterfront area has been greatly improved by the project, but newspaper articles frequently carry stories on the lack of economic impact to the neighboring residential areas. Similar promises were made for the Atlantic City casino developments in New Jersey. The strategy for permitting casino's in Atlantic City was based on the deteriorating economy of the City, high unemployment rates, as well as social and welfare problems. Although some menial jobs were created for local residents, the projects have done very little to produce economic spin-off locally.

With respect to marina development, the positive aspects of a project are apparent in Port Washington, Wisconsin, where privately funded building restoration and face lifting is underway, and in Racine where 36 new businesses have been established since the construction of the marina was initiated. In the Port Washington situation, the community has responded with renewed pride in its local businesses. Similar impacts are not so apparent in places like Waukegan, Illinois, where geographic separation between the downtown and marina project appears to be a significant factor in preventing anticipated economic revitalization as a result of the project.

In some of the case studies, the economic spin-off effects have not yet had enough time to materialize. According to studies performed by the Lake County, Illinois Economic Development Commission, the North Point project, for example, is expected to have a direct positive impact on the nearby Winthrop Harbor community and also to benefit the state's tourism industry. The State of Illinois took a lead position on this project, presumably in an effort to stem the out-migration of boaters to neighboring states. This interstate competition for boaters is the result of the loss of manufacturing jobs in the area and the battle for replacement economic activity. For the Spud Point Marina, economic benefits to the local commercial fishing industry and Sonoma County in California were of primary concerns. The boat slip rentals at the new marina are, however, almost twice the neighboring marina prices, and the success of the project is still undetermined.

In summary, the dynamics of downtown renewal are complex, and the creation of a new marina can have a range of impacts locally, as well as regionally. Some refer to the marina users (boat owners) as being similar to campers. These boaters load up the family car on Friday night with hometown-bought supplies, drive to the marina, and use their boat for the weekend or perhaps longer, with little need to use local businesses for supplies except, perhaps, fuel for the car to return home, or for the boat. Others hope for tourist and non-boat owner types to be attracted to the marina for sight-seeing, and use of local restaurants, shops and places of lodging. These dynamics are a function of who will use the marina, as well as the size and purpose of the marina. Will the marina attract new residents to proposed condominiums? Will the users be transients or stay and use local shops? These questions need to be supported by some site-specific analyses.

#### Environmental Issues and Permits

Coastal waters and shore land are some of the most regulated environmental areas in the country. Federal, state, and local agency review and permitting is used to control development projects proposed for shore lands--especially for areas where high quality environment is at risk.

Frequently, the process of development in these areas is prohibited or severely limited, and, as a result, negates economically practical projects for these areas. The process of environmental permitting and review can be lengthy and, as a result, costly. In addition, environmental issues are likely to be very time-consuming and expensive, unless strategies are developed early to bring in the environmental interests and address these issues directly.

This section is presented as a reminder of the regulatory conditions that can prevent a marina project, and as a way of indicating that successful projects can be built within these conditions. The North Point Marina, for example, was proposed for the general Winthrop Harbor, Illinois, site vicinity many years ago but was opposed by environmental interests because of likely environmental impacts to untouched wetlands. When the community and state moved the project site to an abandoned housing development that was flooded by the rising level of Lake Michigan, the environmental objections were overcome.

Federal, state and local permits are generally required before constructing any marina. The Federal permits come under the jurisdiction of the U.S. Army Corps of Engineers District for the area pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 U.S.C. 403) and Section 404 of the Federal Water Pollution Control Act of 1972 (86 Stat. 816, P.L. 92-500). Transport of dredged material for ocean dumping requires an additional permit from the Corps under Section 103 of the Marine Protection, Research and Sanctuaries Act of 1972 (86 Stat. 1052, P.L. 92-532). Other Federal acts which may be applicable in certain circumstances include the Coastal Zone Management Act of 1972 (P.L. 92-583), Ports and Waterways Safety Act of 1972 (P.L. 92-340), National Environmental Policy Act of 1969 (P.L. 91-190), Resource Conservation and Recovery Act of 1976 (P.L. 94-580), Clean Air Act Amendments of 1977 (P.L. 95-95), Toxic Substances Control Act of 1976 (P.L. 94-469).

To expedite the process of obtaining a permit for a relatively minor project such as a small marina, or modifications or maintenance to an existing marina, the Corps may issue a "Letter of Permission" for the project. For projects which are substantially similar to others in the area and which would cause only minimal individual and cumulative environmental impacts, the Corps has developed a one-page "General Permit", Eng. Form 1721 of 1 July 1977 (ER 1145-2-303). If the project falls within the scope of such a general permit, review and approval of the project application is considerably simplified, although public notice, an opportunity for public hearing, and detailed decision documentation are maintained. The general permit requires a written application using Form 1721, giving a brief description of the project and its proposed location, and enclosing the project plans and drawings for the project.

A more extensive project would involve a pre-application consultation with the Corps district staff, and a complete application including a full description of the project, its likely impacts on the waterway and mitigating measures if necessary. A formal Corps review will be undertaken under the guidance of a Corps project manager. Public notice will be published and public hearings held if any comments received from the public raise substantial issues. Any project for which an Environmental Impact Statement (EIS) is required, which includes any project for which there is major Federal involvement, will be subject to additional public involvement. The Corps will request comments or statements of approval from other Federal agencies, in particular from the Environmental Protection Agency. This agency has veto power under Section 404(c) of the Clean Water Act if the project would have unacceptable adverse impacts on municipal water supplies, shellfish beds and fishery areas, wildlife, or recreational areas.

Marina projects will also generally require permits or approvals from the state. Section 307(c) of the Coastal Zone Management Act of 1972 requires Federal agencies conducting activities, including issuance of permits or licenses, directly affecting a state coastal zone, to comply with an approved state coastal zone management program. No Corps permit may be issued unless the state has concurred with the applicant's certification of compliance.

In addition, at least 17 states have formal regulations requiring permits for constructing any facility on wetlands and/or subaqueous lands (Alabama, California, Delaware, Florida, Maine, Maryland, Massachusetts, Michigan, New Jersey, New York, Oregon, Rhode Island, South Carolina, Texas, Utah, Virginia, and Washington). In general, each state requires a formal, written application for a permit to construct a marina, which is separate from the application to the Corps district. The application will require a complete description and drawing of the proposed project, an evaluation of the environmental impacts and mitigating measures to be taken, if necessary, and other information describing the need for the project relative to the impacts on public access to, and navigation on, the waterway.

The local government may also require a number of permits, including zoning approval or waiver where applicable, a building permit, electrical utility, water and sewer authority connection approvals.

#### Public/Private Sector Issues

Support is essential for a successful marina project. Support must first come from the "bottom up". The local community, including residents and businesses, and, as a result, the political interests, must be willing to support the project. Support must also come from the "top down". Other jurisdictions, such as county and state levels, must also support the project if it is to be constructed.

Many marina issues can be effectively addressed if proper planning and analysis are used to structure the project. Successful projects seem to prepare answers before questions are asked by the public. With these answers, the public's confidence is gained, and the need for a defensive posture is avoided. This point is well illustrated by considering the involvement of environmental groups in the North Point and Spud Point Marina projects. In both cases, these groups were consulted during various planning stages of the project. By informing and including the environmentalists from the start, seeking their advice, and incorporating their suggestions into the planning, potential conflicts were diffused. Members of these groups were confident there was no reason for alarm.

Typically, the public is concerned for costs they may have to bear, changes to the quality of life in the community, who the people are that will be attracted to the community, whether they are compatible with the community, whether crime rates will increase, and whether business will be displaced by new business that will be attracted from outside. These and other public and private sector concerns need to be addressed before the questions are raised publicly in order to assure "top down" and "bottom up" support and, eventually, project financing.

#### Financing

This section addresses the general methods of financing that are available for marina projects. For the most part, these methods are the same as those used for other types of "public" projects. Basically, three approaches are available: private financing through bank loans or equity, public financing



through revenue or general obligation bonds and grants, and finally, a partnership of the private and public arrangement. Cost recovery through marina slip rentals, fees, licenses, and other charges may be used to repay debt and equity, as well as operation and maintenance costs.

Private Sector Financing: The results of the survey questionnaire of the marinas under consideration for Handbook Case Studies suggested that slightly less than half (46%) of the marinas replying were privately built and financed. Other respondents were associated with public marinas or a mixed public and private partnership.

Profit is the objective of a privately financed project. A project is planned and evaluated with respect to return on investment. A profitable project produces a return on investment (a measure of profitability) that may be compared against other investment opportunities. The investors' decision to proceed with a project usually focuses on the rate of return (expressed as a percentage). In today's market, investments in "riskless" government notes and bonds can be 6-7 percent, depending on the investment period. Investments with higher risk usually yield a larger rate of return. Perhaps, for example, marina investors would require a minimum of 20-30 percent return on investment in order to participate in a project. These minimum returns are usually called hurdle rates, which are set as "policy" by certain institutions.

Payback period is another investment criteria used by investors. Projects that are highly profitable payback the original investment through revenue and other sources over a short period of time. Under times of uncertainty (e.g., periods of rising interest rates and inflation), the requirements for payback are shorter than under less risky times.

The profitability of a marina is determined from an evaluation of costs, revenue sources and other considerations such as taxes, and depreciation. First, the annual costs of a project are evaluated, including interest and debt repayment and operating and maintenance costs. These costs are compared with the revenues that will be produced by the project. After taking into consideration tax law impacts, such as investment credits, and depreciation, the residual or profit can be determined. This profit is compared with the investment to calculate a return on investment.

Privately funded projects may be undertaken by individuals, corporations and/or syndicates. The evidence from the study questionnaire indicates that private investment in marinas has been an attractive investment opportunity in many cases. These projects are financed either by equity or borrowed funds. Based on the survey of marinas, private marinas are smaller than public marinas (private marinas typically have less than 200 boat slips). It is likely that equity financing and conventional loans were used to finance these projects. Whereas, more unconventional methods and syndicates may be needed for the larger marinas, if they are to be financed privately. In one example, a 400-slip marina was able to secure a loan for over \$11 million at over 14 percent interest, however, it was not with a traditional lender.

Public Sector Financing: Over half of the questionnaire responses involved marina projects that were funded either entirely or partially by

public sources. Frequently, the public sector will include Federal, state, local and, perhaps, regional agencies in the funding. Public funding includes grants and borrowed funds. Grants may be available as a result of specific programs that contribute funding with no requirements for reimbursement. The funds for grants may come from tax sources such as general funds (contributed by taxpayers-at-large) or from sources like gasoline taxes of which the portion derived from boating fuel purchases is estimated.

Government also borrows money by selling bonds. Government bonds usually bear lower interest rates than commercial debt because of the backing of taxpayers as an ultimate debt recovery assurance and, frequently, tax free interest income to lenders.

State loan programs are frequently used because of the large issues that can be sold at presumably low interest rates based on the state's vast borrowing capacity and leverage in the market. Local loans are usually tax free as an inducement to the buyers of the bonds, but local caps on borrowing and other capital purchase needs can inhibit the borrowing ability of a community on large projects.

Publicly funded projects do not necessarily have to be justified on the same profitability basis as a private investment. Government may invest in a marina project based on tangible and intangible benefits, benefit-cost ratios and other estimates of project impact. The local, county or state-wide perspective of a publicly funded project can recognize other spin-off economic advantages of the project. This may justify the subsidization of the project by the jurisdiction's general tax base. On the other hand, the private sector may create the same effects and not have the ability to recover those benefits to the area in the form of more jobs, increased personal income, earned income and per capita taxes, as well as increased property values and property-related taxes.

Three case studies included in this Handbook are publicly funded marinas. North Point Marina received an appropriation through special legislation to cover all project costs, although a portion of the \$36 million was allotted from the state's motor boat fuel tax. Spud Point Marina was funded through Federal and state agency grants, and a state agency loan guaranteed by county taxpayers. The Port Washington Marina was funded through a combination of Federal and state grants and a city-sponsored bond issue. Although each of the three approaches is different, each one was successful for its project's needs.

Mixed Public/Private: A small number of the survey respondents indicated a mixed public/private approach. For this Handbook, a mixed approach probably best describes the innovative Case Study where no single source of funding (the easiest approach) would be available, and it is necessary to package the funding from various sources. Tax law changes, including modification of advantageous investment tax credit and depreciation rules, together with changes in Federal policy, have necessitated that communities interested in marinas take a closer look at a mixed approach.

Certain basic marina components are generally funded by the public sector, such as the breakwater, public buildings, and perhaps the piers and decks.

Other related marina facilities can be built by the private sector, based on competitive bids that respond to conformity requirements for the overall marina.

Under these mixed arrangements, the community may own the property and lease the facilities (that are privately financed and constructed) to the private firms under long-term arrangements. The community and private firm will negotiate a contract including detailed conditions regarding lease payments to the community, and standards for operation and maintenance.

A lease back arrangement may be developed where the private sector entity (e.g., a bank) would own the facilities and lease them to the community for a given period of time. The bank in this case is eligible for the depreciation and investment tax credits (if any) and earns its return on the financing of the project. Since Federal tax laws changed in 1986, projects that are eligible for this favorable tax treatment are probably limited.

Most illustrative of the mixed public/private approach is the Racine Marina case study. After beginning as a publicly-funded project, the county decided that a private firm could more efficiently and economically build and operate the marina. Although the breakwater, parks, roads and launching facilities are publicly owned, the dockage, boaters' service buildings and harbor master building are currently owned by the private firm with a lease arrangement for the property. This approach benefits both public and private sectors in Racine.

Investment Problems of Local Communities and Solutions. Several major local community financing problems seem to have resulted from the Federal government's decision to limit participation in recreational small boat harbor projects.

1. A key source of planning and technical support was lost. (The U.S. Army Corps of Engineers provided planning and design support and acted as a catalyst and lead for many harbor projects.)
2. A source of up-front "risk-capital" was lost, which will probably have to be made up by other public agencies. (Although the Federal share of project costs was limited and represented a small portion of the total project costs, the Federal government's lead, especially on breakwater design and construction, encouraged the packaging of other sources for funding.)
3. Private investment in marinas may be reduced, especially if breakwater design and construction will have to be privately financed. (It appears that the additional costs of breakwater design and construction may make projects financially unattractive to many private investors.)

As a result, for communities that will require a safe harbor design, the local community will either have to finance the design and construction

directly, or find other sources. Innovative packaging of funds, a mixture of public and/or public and private funds was the alternative most often used by the case study examples to achieve funding. Using this method, the communities were able to tap several sources of funds to assist with project costs. This type of arrangement will most likely be the best approach for communities which are now beginning to consider a harbor/marina development project.

A substitute source of up-front money for economic development projects is potentially available from state governments. The "Build Illinois" program is an example of a state's efforts to promote development projects that would benefit the residents of the state. Although the program was used for replacement of bridges and expansion of wastewater treatment plants, it represents a mechanism for funding capital intensive projects with significant economic benefit to the state.

In addition to the "Build Illinois" program, recreation has always been recognized as a major industry in Illinois. Over the past several years, the state has been losing recreation dollars to neighboring states. The state estimates that, unless some action is taken, recreational economic losses from Illinois residents berthing boats outside the state will be about \$150 million per year to Wisconsin, Indiana and Michigan. As a result, the state has acted to build new marinas and improve existing ones. The North Point Marina project in Winthrop Harbor, Illinois, is an example of Illinois' attempt to stem the annual loss. It is estimated that the North Point Marina will produce \$6 to \$17 million per year in benefits to the local economy. As a result, the Illinois legislature authorized \$28 million, in addition to \$8 million from the motor boat fuel tax fund, covering 100 percent of the harbor and marina construction cost.

Other states are developing revolving loan programs. Instead of providing grants, these states are recovering at least the principal amount of the loan from project revenues. These collected revenues can then be reinvested in other projects.

Sources of Investment: Several effective financing incentives are apparent from the evaluation of the case studies. Since there seems to be a need for large funding sources, the example provided by the North Point Marina provides a good model. Although the original approach for funding the project was to seek \$28 million from the legislature that would be derived from general taxation, the key to securing these funds came when agreements were reached for repayment of the "loans," including an additional \$8 million that were previously ear-marked for use in the project from the state's fuel tax fund. The State Department of Conservation, the marina's sponsor agency, agreed to repay the state's general fund over a period of about 14 years from project revenues. The final legislation provided the funds interest free. After repayment has been accomplished, the revenues will be used for erosion control and shoreline stabilization, an additional project benefit that made the marina attractive to the legislature.

In some states, it is possible to set up local Tax Increment Financing Districts (TIF's) as a mechanism that can make development attractive to a community. These programs recognize that the local investment/funding

initiative produces local, school district and county tax revenues and that these revenues are windfalls. The TIF strategy permits the local area to define a district within which incremental school district and county tax revenues accrue to the local community. These "captured" revenues can then be used as a source of revenues to recover the costs of a project.

The traditional method of cost sharing is another method for encouraging investments in projects. In many situations, state revenues have been used to match local funds on a 50:50 basis. The success of these programs relates to the size of the fund available to a project. Frequently, small funding sources are available. These are useful in the early stages of projects (e.g., for feasibility studies), or for specifically defined components of a project (e.g., for a park or lighting).

Local support is also an important source of funds. Commercial businesses in Port Washington, Wisconsin, contributed \$45,000 for building construction. In Racine, local "sponsors" bought bricks (with their names engraved) to be set in the promenade. In addition, sponsors were found to purchase lights, trash cans and all kinds of small project needs.

Tax credits are sometimes considered as an incentive mechanism for construction projects. At times, the Federal tax law has permitted tax credits as an incentive. Typically, these mechanisms are not a key factor in the decision to build a project.

#### SUMMARY OF ALTERNATIVE FUNDING SOURCES

Several non-Federal sources of funds and methods of cost recovery have been discussed throughout this section, which have the potential of being accessed for use in a harbor/marina project. These sources are listed below by public sources, private sources, and other. Each is described in general terms and specific examples from the case studies are given when one applies. It should be noted that this list is a cumulation of available alternatives from several states, and they do not apply to every state. However, the list is indicative of what is currently being done and may be helpful in assisting those seeking funding for a harbor/marina project.

#### Public Sources

##### Funding/Financing Alternatives:

- o State Grants (Wisconsin Dept. of Natural Resources - Racine Marina and Port Washington Marina; California State Coastal Conservancy - Spud Point Marina)
- o Special State Legislative Appropriations (State of Illinois - North Point Marina)
- o State Loans:
  - Interest Free (California State Coastal Conservancy - Spud Point Marina)
  - Low Interest (California Dept. of Boating & Waterways - Spud Point Marina)

- o Access Dormant Accounts:
  - State Level (Wisconsin Dept. of Natural Resources - Racine Marina)
  - Local Level (City of Racine - Racine Marina)
- o Matching Funds (Wisconsin Dept. of Natural Resources, Recreational Boating Facilities Program - Racine Marina)
- o General Revenue Bonds (Racine Marina)
- o General Obligation Bonds (Port Washington Marina)

#### Cost-Recovery Alternatives

- o Revenue from Slip Rentals, Fees, Licences (Port Washington Marina, Racine Marina, Spud Point Marina, North Point Marina)
- o Revenue from Sale of Fuel and Other Services (Port Washington Marina, Racine Marina, Spud Point Marina, North Point Marina)
- o Tax Increment Financing (TIF) Districts (Racine Marina)
- o Increase to Taxes

#### Private Sources

##### Funding/Financing Alternatives

- o Loans from Financial Institutions (Miami Beach Marina)
- o State Loans (California Dept. of Boating and Waterways)
- o Equity Financing by Individual, Partnership, or Corporation

##### Cost Recovery Alternatives

- o Revenue from Slip Rentals (Racine Marina, Miami Beach Marina)
- o Revenue from Sale of Fuel and Other Services (Racine Marina, Miami Beach Marina)
- o Tax Incentives to Private Developer (Racine Marina, Miami Beach Marina)

#### Other Sources of Funds

- o Community Fundraisers (Racine Marina)
- o Contributions from Business Community (Port Washington Marina, Racine Marina)
- o Contributions from Individuals (North Point Marina)

## CHAPTER III

### SUMMARY OF CASE STUDY FINDINGS

This chapter presents brief summary descriptions of the five case studies evaluated for this Handbook. Full descriptions of these case studies are found in Appendices A-E.

The case studies were selected to represent conditions around the country, including the east and west coasts, and Great Lakes. Three were selected from the Great Lakes area to provide sufficient area-specific background information for the City of Kenosha application. The case studies include: Port Washington Marina, Port Washington, Wisconsin; Racine Marina, Racine, Wisconsin; North Point Marina, Lake County, Illinois; Spud Point Marina, Sonoma County, California; and Miami Beach Marina, Miami Beach, Florida.

In four of the five marina projects, the breakwater, the major infrastructure improvement, was funded by an agency other than the local municipality. The City of Miami Beach was the only local agency to attempt funding the breakwater.

In each case, marina construction, other than the breakwater, was funded by some combination of public and/or private sources. In most cases, a combination of sources was used. The North Point Marina used one source of state funds for construction and is, therefore, completely public; however, private developers are expected to provide ancillary services, such as restaurants and stores. The Port Washington and Spud Point Marinas were also publicly funded; however, a combination of available public funds from various agencies was drawn together to form a funding package. The Spud Point Marina is also a good example of a community's response to the loss of anticipated Federal funds. The Racine Marina is an example of a public and private funding package. Not only were a variety of public sources tapped for funds, but the private sector also played a major role in financing marina facilities. To illustrate complete private financing of marina facilities other than the breakwater, the Miami Beach Marina serves as an example.

It should be noted that in those case studies in which the COE participated in the design and construction of breakwater or other navigation improvements, the COE's participation is summarized as a percentage of the total marina development costs. As noted in the Introduction, the COE's participation in these projects has generally been under the purview of the Small Navigation Project Authority. This authority limits not only the financial involvement of the COE, but also its participation to navigation improvements (e.g., dredging and breakwater construction). Summarizing the COE's financial participation as a percentage of the total development cost is intended to provide the reader with an indication of how the total funding package was brought together, but does not mean that the COE participated in the planning, design and construction of all the components of these projects.

The marinas evaluated as case studies represent a variety of funding methods. The following information on each case study summarizes background and funding information for these marinas.

PORT WASHINGTON MARINA  
PORT WASHINGTON, WISCONSIN

NAME OF MARINA: Port Washington Marina  
OWNERSHIP: City of Port Washington, WI  
OPERATOR OF MARINA: City of Port Washington, WI  
YEAR OF COMPLETION: 1982

LOCATION: Lake Michigan shoreline at the mouth of Sauk Creek  
29 miles north of Milwaukee, 27 miles south of  
Sheboygan.

FACILITIES: 180 Wet Slips  
6 Launch Lanes and Tie-up Piers  
Control Building (Harbor Master)  
Service Building (Boaters' Use: restrooms, showers,  
laundromat)  
Charter Boat Facilities  
Parking  
Park and Promenade

ASSOCIATED REDEVELOPMENT OF DOWNTOWN: No associated plans, however,  
revitalization has occurred as a direct result of  
the marina.

TOTAL PROJECT COSTS: \$5.88 million

MAJOR SOURCES OF FUNDING:

City of Port Washington (Gen. Obligation Notes)	\$2,520,000	43%
County of Ozaukee (Gen. Revenue Funds)	473,000	8%
U.S. Army Corps of Engineers	1,882,000	32%
State of Wisconsin, Department of Natural Resources (Recreational Boating Facilities Program	<u>921,000</u>	<u>15%</u>
	\$5,796,000	98%

PROBLEMS AND CHALLENGES: "Friends of Democracy" (opposition  
group), Public Referendum Vote (narrowly won)  
Incremental Approach to Borrowing

LOCAL CONDITIONS: Existing Breakwater  
Need for Harbor Improvements  
Support of Corps of Engineers  
Political Support  
City-Owned Lakefront  
Attractive Location (following demolition of old buildings)  
Positive Feasibility Studies (Economic & Technical)  
Support of County of Ozaukee  
Individuals Willing to Give Personal Time & Energy to  
Project.



RACINE MARINA  
RACINE, WISCONSIN

NAME OF MARINA: Racine Marina  
OWNERSHIP: Public/Private Partnership  
County of Racine (harbor), City of Racine (landside development)  
Racine Marine Associates (docks, slippage, & support buildings)  
OPERATOR OF MARINA: Private - Skipper Buds  
YEAR OF COMPLETION: 1987

LOCATION: Lake Michigan shoreline at the mouth of Root River; southeastern Wisconsin; 16 miles south of Milwaukee, 68 miles north of Chicago.

FACILITIES: 921 slip marina (potential to add 600-700 more)  
Boat Launch Ramps - Launch Basin  
Boat Hoist  
Administration Building  
Boaters' Service Center  
Parking

ASSOCIATED DEVELOPMENT OF DOWNTOWN:

City Project: Festival Park and Hall (conference center), Promenade  
Private: Lakefront Restaurant (proposed)  
Lakefront Hotel (proposed)  
Lakefront Condominiums (proposed)

Downtown revitalization already occurring: 36 additional businesses, renovation of older buildings.

TOTAL PROJECT COSTS: \$26,325,000

MAJOR SOURCES OF FUNDING:

City of Racine	\$4,825,000	18%
County of Racine	4,700,000	18%
State of Wisconsin	3,800,000	14%
Downtown Racine Development Corp.	3,600,000	14%
Private Developer	<u>9,400,000</u>	<u>36%</u>
	\$26,325,000	100%

PROBLEMS AND CHALLENGES: Lack of Expected Federal Funds  
Deteriorating Downtown  
Poor Aesthetic Conditions

LOCAL CONDITIONS: Existing Breakwater  
Community-Aware Corporate Executive  
Well-Developed Political Channels  
City-Owned Lakefront  
Support of County of Racine

NORTH POINT MARINA  
LAKE COUNTY, ILLINOIS

NAME OF MARINA: North Point Marina  
OWNERSHIP: Public/Private Partnership  
State of Illinois (harbor & Marina)  
Private Developer (landside development)  
OPERATOR OF MARINA: Private - Not Yet Selected  
YEAR OF COMPLETION: 1989

LOCATION: Lake Michigan shoreline; northeast corner of  
Illinois in Lake County; Approximately 40 miles north  
of Chicago and 40 miles south of Milwaukee

FACILITIES: 1,493 Boat Slips  
10 Launching Ramps and Holding Docks  
60 Charter Boat Slips  
Boaters' Service Buildings  
Administration Building  
Beach  
Parking

ASSOCIATED DEVELOPMENT:

Private: Marine Center Winter Storage and Maintenance Facilities  
Yacht Club  
Resort Hotel  
Restaurant

ANTICIPATED DOWNTOWN REDEVELOPMENT: The Village of Winthrop Harbor,  
including new commercial/retail center

TOTAL PROJECT COSTS: \$50,000,000

MAJOR SOURCES OF FUNDING:

State of Illinois - Motor Boat Fuel Tax Revenue	\$ 8,000,000	16%
- Special Legislation	28,000,000	56%
Private Developers (projected)	<u>14,000,000</u>	<u>28%</u>
	\$50,000,000	100%

PROBLEMS AND CHALLENGES: Lobbying for support from state legislators  
Cost estimates 4 times greater than original design

LOCAL CONDITIONS: Availability of Environmentally disturbed land  
Public Ownership of Lakefront Property  
Existing Road Access to Site  
Public Support on Local, County, and Regional Basis  
Individuals Willing to Give Personal Time and  
Energy to Project

SPUD POINT MARINA  
SONOMA COUNTY, CALIFORNIA

NAME OF MARINA: Spud Point Marina  
OWNERSHIP: Public - County of Sonoma, California  
OPERATOR OF MARINA: Public - County of Sonoma, Department of Regional Parks  
YEAR OF COMPLETION: 1985

LOCATION: Bodega Bay, Pacific Ocean, 50 miles north of San Francisco, 20 miles west of Santa Rosa

FACILITIES: 245 Boat Slips (at least 80% commercial use)  
Breakwater with Fishing Pier  
Fuel Dock  
Ice Plant and Delivery System  
Mobile Lift  
Administration Building and Parking  
Boaters' Services Facilities

ASSOCIATED DEVELOPMENT: Proposed Boat Maintenance Yard (private)  
Proposed Restaurant/Coffee Shop (public/private)  
Revitalization of Commercial Fishing Industry

TOTAL PROJECT COSTS: \$8,830,000

MAJOR SOURCES OF FUNDING:	CA Dept. of Boating & Waterways	\$6,200,000	70%
	CA State Coastal Conservancy	1,630,000	19%
	Economic Development Admin.	<u>1,000,000</u>	<u>11%</u>
		\$8,830,000	100%

PROBLEMS AND CHALLENGES: Withdrawal of Committed Funds  
Need to Scale Down Project  
Operating to Cover Expenses and Debt Repayment

LOCAL CONDITIONS: Support of Local Fishermen  
Support of County and State Officials  
Fishing Industry in Need of Economic Boost  
Deteriorating Commercial Fishing Marinas

MIAMI BEACH MARINA  
MIAMI BEACH, FLORIDA

NAME OF MARINA: Miami Beach Marina  
OWNERSHIP: Public/Private (Land owned by City, Dockage and Marina  
owned privately)  
OPERATOR OF MARINA: Private - Carner-Mason Associates, Ltd.  
YEAR OF COMPLETION: 1985 (slips); Associated Development Not Yet Completed

LOCATION: Biscayne Bay; Southern End of the City of Miami Beach

FACILITIES: 400 Boat Slips  
Administration Building  
Boaters' Service Buildings  
Fuel Dock  
Parking  
Proposed Dry Storage Slips

ASSOCIATED DEVELOPMENT:

Private: Proposed Restaurants and Lounge (part of marina complex)  
Proposed Mini-Shopping Center (part of marina complex)  
Proposed Condominium/Townhouse Development  
Anticipated Revitalization of Entire Southern Shore of Miami  
Beach

Public: Elderly Housing High-Rise  
South Shore Park (17 acres)

TOTAL PROJECT COSTS: \$11,346,000

MAJOR SOURCES OF FUNDING:

Carner-Mason Associates, Ltd. (private)	\$7,800,000	69%
City of Miami	<u>3,546,000</u>	<u>31%</u>
	\$11,346,000	100%

PROBLEMS AND CHALLENGES: Securing Private Financing  
Coordination of Permitting Process with City  
Meeting Debt Obligation

LOCAL CONDITIONS: New Breakwater and 2 Piers Completed  
Strict City and State Permit Procedures  
Supposed Shortage of Wet Slips in Area  
City Revitalization Project of South Shore Area

## CHAPTER IV

### STRATEGY FOR DEVELOPING MARINA FUNDING ALTERNATIVES

#### Purpose

This chapter presents the strategy or guide that was developed from the analysis of the five case studies. The guide consists of a series of screening questions and related underlying questions that need to be considered regarding successful implementation of a marina project and, ultimately, financing of the project.

Because financing is the final step in the process, it is dependent on the successful resolution of these questions. If any of these questions are ignored, it can lead to an inability to finance the project, or possibly lawsuits at some later time. As a result, this strategy provides a guide or checklist that can help to achieve a successfully financed project.

The screening questions relate to major areas of concern and are divided into the following:

1. Has an effective planning strategy been established?
2. Has the demand for the project been determined?
3. Can the community get the necessary environmental permits and approvals?
4. Are there any significant public/private sector issues that can prevent a successful project?
5. Has project leadership been established?
6. Have all financing options been considered?

All of these areas of concern are interdependent. Some issues need to be addressed early in the process (e.g., project leadership, the planning strategy and an assessment of the demand for the project), but most of these issues will be addressed simultaneously and iteratively, as the project starts to take shape. In a financing sense, these screening questions relate to:

- o Identification of, and confidence in, revenue sources
- o Identification and control of costs
- o Project support and leadership

From the beginning, all of the project planning will affect the sources of revenues and the types and extent of costs. The objective should be, through a well-developed project support and leadership program, a project that fits the community.

The following elaboration on the screening process provides a long list of the questions that should be considered if a project is to be successful.

## SCREENING GUIDELINES

### PLANNING STRATEGY: Has an effective planning strategy been established?

Local officials associated with successfully implemented projects seem to have decided at an early stage what kind of project they wanted to build. Typically, through consultants and various planning agencies, the communities were able to effectively direct their resources at a single project. They seem to have developed a collective interest in implementation of the project.

An initial feasibility study is the most frequently used method for understanding the options available to a community and setting the course toward implementation. A decision will be made from this study as to whether or not to proceed with the project, or perhaps to proceed with the project after studying an alternative design, as was the case with the North Point Marina project. The feasibility study should be concerned with where the project or options will be located, environmental issues, ownership and management, size, costs and financing options. An unbiased view from an experienced consulting firm is the best approach. This feasibility study should provide options for the community and direction on the following:

- o What project should be considered?
- o Is the project feasible from an engineering perspective?
- o What will the project (options) cost?
- o Are there any legal issues, such as land and bottom-land ownership, water rights, and use restrictions that could affect the project?
- o What permits will be needed from Federal, state, regional, and local agencies?
- o Should the community take the lead on the project or is there some other or better approach (e.g., state or county)?
- o How will the project be funded: (1) if it is publicly-owned and operated, (2) if it is leased to private interests. What sources of financial assistance might be available?
- o Is local support likely?

With this preliminary information, the community has part of the information needed for making an initial decision on the project.

### DEMAND: Has the demand for and economic impact of the project been determined?

Most of the projects evaluated in this Handbook used some form of evaluation of the demand for small boat harbors in their initial decision-making process. Based on the demand analysis, possible economic impacts

resulting from the project should be evaluated as well. The demand for the marina should be assessed by an independent consultant and should address:

- numbers of rentals and tourists
- rental of boat slips, sizes and rental fees
- use of services (direct economic impacts)
- spin-off economic impacts (potential for marina users and tourists to use other commercial establishments)
- fiscal impacts

This analysis will guide the community in conjunction with the feasibility study and will provide answers to the following:

- o Has a reliable estimate of the demand for boat slips been developed? Services? Restaurants? Other facilities?
- o What is the competition? Are they fully rented (at what rates)? Will the proposed marina attract new boaters or draw rentals from existing marinas?
- o What rental fees are users of the proposed marina likely to be willing to pay? And, based on assumed rental capacity, what annual revenues will be generated from rentals, services and other fees?
- o Is it likely that spin-off economic effects will materialize? What businesses will come? Will the local downtown benefit from the project or will it be by-passed?
- o From a fiscal point of view, will the marina induce additional problems, such as increased police, fire, insurance, or other costs that offset any potential tax revenue benefits?

Once these independent answers are derived, the community can compare the costs from the feasibility study with the revenues from the rentals, services, possible other public funding sources, and make an informed judgement on the benefit to the community. With a clear path to follow, the community can proceed.

ENVIRONMENTAL PERMITS: Can the community get the necessary environmental permits and approvals?

The case studies used in this Handbook involved various problems with environmental permits and environmental concerns. In some cases, the problem is either "go" or "no go". If environmental regulations prevent marinas from being developed in certain areas, such as the proposed site, then there's no need to continue (a presumed finding of the feasibility study). However, if certain conditions have to be met, then it is possible to proceed. These conditions will involve additional costs, which should be built into the project cost estimate (another presumed finding of the feasibility study).

The "go" situation, however, involves many potential pitfalls which relate to the public's willingness to support the project. Success in gaining environmental approval relates as much to involving the public and environmental interests as to protecting the environment. Case study findings included easy environmental approval for the North Point Marina at one extreme, to temporary project shut-down and lawsuits at the Miami Beach Marina because assumed permits were not in place and financial default resulted from an inability to rent facilities. The following relevant questions should be considered:

- o What environmental permits are needed?
- o Can the community or private developer obtain the permits?
- o Are there other environmental interest groups that should be included in the project development process?

PUBLIC/PRIVATE SECTOR ISSUES: Are there any significant public/private sector issues that can prevent a successful project?

Project support is a fragile element in any development project. It can be easily lost, based on impressions of possible problems, environmental issues, press coverage of poorly-run meetings and other such problems, and is hard, if not impossible, to recover. The most likely source of public concern about a project is who will have to pay. The public is concerned that taxes will increase in order to pay for construction, operation, additional community services and other unknowns. This is a concern when the perception of a marina project is that it is a shore project and that inland people (the majority) will not benefit from the project, although they will have to pay for it, or that even when paid for by a shore community, the users, or beneficiaries, will be largely from outside the area.

Other problems can affect the willingness of the community and other public and private sector interests to support the project, including ethnic philosophy regarding debt as well as other issues, impressions that boating is for the elite, attitudes regarding local officials' poor handling of a previous project, and other similar concerns.

The best defense against this type of problem involves development of a factually based approach, such as described in the feasibility and demand and economic impact assessments, and strong leadership. A broad base of support and involvement in the project should include the business community and civic organizations. The following relevant questions should be considered:

- o Is there strong community support for the proposed project at the local official and public levels?
- o Does the business community (potentially affected businesses, banks, and prominent business people) support the project?
- o Are there any local philosophical constraints on a marina project?



- o Is the project supported at other relevant government levels, such as the county, or state, as a basis for funding?

LEADERSHIP: Has project leadership been established?

In almost all successful projects, key people play an important role. This leadership is needed in the preliminary stages of the project to determine what the community should do. Later on, this leadership is needed even more so to keep the project on track. Often, when a smaller project is being planned, it is possible for this leadership to be provided by the same people who provided the initial project direction and support. For a larger project, it is generally advantageous to hire a professional project director to supervise all aspects of project construction.

These leaders need to have authority and budgets to achieve the project objectives. They need access to the business community and the ability to deal with the public officials at the various levels where funding and approval may be required. In certain case studies presented here, the local leader was previously a state legislator or an existing agency official, and worked within approving agencies in order to gain the support needed. In other cases, energetic, local citizens and planning agency staff people worked to keep a project on track.

- o Are there key local officials involved on a regular basis on the project?
- o Is a project manager in charge of every-day issues and over-all coordination?
- o Are local community businessmen involved in an active way?
- o Is the community prepared to delegate the needed funds, time, and authority to the project for a project manager, feasibility studies, planning, and, ultimately, for all or part of construction and operation and maintenance costs?

FINANCING OPTIONS: Have all financing options been considered?

The funding/financing of a marina project may come from grants, special appropriations, loans and/or equity. Typically, the grants will be from the public sector, although some case studies did secure grants from local businesses. These sources of funds do not have to be repaid. Loans may be available from banks or other private lending sources, as well as from government agencies. These will be repaid at interest rates depending on the specific financial conditions and situation. Government sources include revenue bonds issued by an improvement or similar type authority, secured by dependable revenue sources (e.g., repaid from slip rental revenue) or general obligation bonds. The latter are issued by the local government at lower interest rates than revenue bonds, are backed by local tax revenues, and are repaid from general funds.

The private sector may use any or all of these sources in cooperation with government, in addition to cash-on-hand or other sources of equity.

From a community's point of view, the community has to decide if it wants to be directly involved in the project. There is strong evidence that the private sector is more efficient than government in operating and maintaining "public" facilities, however, government borrowing generally provides a low-interest financing advantage. Government operations potentially can produce profits for the community (the excess of revenues over costs) that could be used for other local development projects. Separate accounting for all marina costs and revenues would be required to assure that other community funds are not being used to subsidize the marina construction, debt repayment and operations.

What should the public sector finance? Previous chapters of this Handbook have indicated that it is unlikely that the private sector can profitably (under existing tax law and other conditions) finance an entire project, including a breakwater for a safe harbor. Information seems to indicate that private sector projects are generally small and are located in bays or other protected areas, and, as in the case studies, use existing or new breakwaters provided by the public sector, when a breakwater is needed to create a safe harbor. Therefore, public financing will probably be required for the breakwater. In addition, communities generally take responsibility for infrastructure, such as: administration building, parking, roads, walks, parks and other amenities. All of the marinas evaluated in the case studies were simple. None included condominiums, restaurants, or shops as part of the basic plan that was initially publicly financed.

What costs are generally financed by the private sector? Small marinas are generally owned, constructed and operated by the private sector. They take responsibility for all infrastructure. For larger marinas, public ownership and lease arrangements provide for the private involvement. In these larger marinas, the private sector generally provides the boat slips, service buildings and operation and maintenance requirements. Plans for hotels, restaurants, condominiums and other facilities are also associated with private arrangements.

Two types of leases are generally used. The usual method involves public ownership of the lands and long-term (50 or more year) lease arrangements which permit the leaseholder to build and operate the facilities. The leaseholder pays the city taxes on improvements and a percentage of gross sales. This arrangement provides incentives to the builder to make the facility profitable. The community's share of gross sales and taxes, however, needs to be set fairly in order to maintain the profitability and financial feasibility of the project. (For example, Miami Beach Marina is negotiating a reduction in the city share during the initial period due to over expectations of revenues.)

The other lease arrangement involves the community and a financing institution. The institution owns the facility and leases it back to the community for operation and maintenance. The institution then takes advantage of the depreciation and tax advantages. The community may operate the facility or arrange for a private operator.

In both cases, the community needs considerable information regarding the project and its operations in order to make these arrangements work. Spin-off economic effects and revenues to the community from increased taxes and percentage of sales need to be evaluated before commitments are made.

The following questions summarize these concerns:

- o Does the community plan to own and/or operate the marina as an additional community service?
- o Does the community have the debt capacity to finance the breakwater and other public costs?
- o Can the community arrange for grants, loans and fees for the public cost portion of the project?
- o Will the business community contribute funds for the project?
- o Should the community arrange for a marina operator, including rentals, services, maintenance, security and other needs?

In summary, this screening process provides a checklist of many of the key questions that need to be addressed if a marina financing project is to be successful. The following summarizes how the case study marinas succeeded in establishing an implementable project.

Since these case study approaches are not perfect, some show deficiencies in their methods with respect to the screening guidelines. Despite these deficiencies, in most cases, the projects are successful, perhaps by luck; however, others have demonstrated problems, and time will tell if they will be successful.

#### FINDINGS OF SCREENING GUIDELINES TO PORT WASHINGTON MARINA

##### Planning Strategy

- o Consideration of harbor improvements and marina for nearly 50 years
- o Improvements needed to existing breakwater to protect shoreline
- o Preparation of master plan and feasibility study by independent consultant
- o Coordination of preliminary activity by City Harbor Commission
- o Selection of preferred option to best protect shoreline and build marina
- o Financing strategy planned through use of Federal grants and city bond issue
- o Operation of marina assumed to be by public sector

#### Demand for Project Impacts

- o No preparation of a demand analysis
- o Competition with other marinas not a factor--no other marinas located in City or surrounding areas

#### Environmental Permits

- o Preparation of Environmental Impact Study by COE
- o Improvements necessary to existing breakwater
- o Handling of permits by COE and Project Director
- o Diffusion of environmental concerns with addition of a park to scope of project

#### Public/Private Sector Issues

- o Decrease in size of project resulting from a referendum vote placed before the public by an opposition group concerned with tax burdens from the marina
- o Support of public officials secured project approval
- o Support of project by County, State and business community

#### Project Leadership

- o Provided by Harbor Commission throughout project
- o Approval of project by mayor important for community support
- o Appointment of Project Director to coordinate daily activity
- o Assistance by COE and independent consultants provided technical-leadership

#### Financing Option

- o Availability of Federal and state grants
- o Contribution from County showed County-wide support
- o Financing by City through bond issues
- o Recovery of costs through marina operations (publicly operated)
- o Contribution of funds from business community for construction of boaters' service building
- o Delay caused by referendum vote resulted in increase to project costs (higher interest rates)

### FINDINGS OF SCREENING GUIDELINES TO RACINE MARINA

#### Planning Strategy

- o Used consultants to plan and model marina
- o Determined Federal grants to be used for project (later found to be unavailable)
- o Transfer of lake bottom ownership from City to County

- o Selected best option technically feasible to achieve economic expectations
- o Presentation of the proposal for harbor/marina development by business community to City and County.

#### Demand for Project Impacts

- o Preparation of Economic Impact Study and Market Analysis by University of Wisconsin
- o Anticipation of economic gains to community
- o Projection of demand compatible with selected design option
- o Increase in costs of public services not expected

#### Environmental Permits

- o Preparation of Environmental Impact Study
- o Existence of commercial harbor and breakwater
- o Identification of necessary permits completed
- o Handling of permitting process by Project Director

#### Public/Private Sector Issues

- o De-authorization of inactive commercial harbor
- o Presentation to public of preliminary information with positive reception
- o Supported by business community
- o Mixed support by officials
- o Some resistance to project by inland residents of County
- o Kept public and officials informed through presentations

#### Project Leadership

- o Initiated from business community
- o Existence of strong leadership in political process
- o Hired Project Director to coordinate daily activity

#### Financing Option

- o Changed strategy from Federal grants to state and local funding and financing
- o Support of business community to fund preliminary planning process
- o Funding of public costs through state grants and County tax base
- o Use of bond issues by County to help finance project
- o Use of reserve funds (sale of property) by City to fund project
- o Recovery of County expense through lease arrangement with private operator
- o Recovery of City expense through collection of increased property taxes
- o Encouraged fundraising efforts by individuals and small organizations

## FINDINGS OF SCREENING GUIDELINES TO NORTH POINT MARINA

### Planning Strategy

- o Preparation of feasibility study and financial analysis by independent consultant
- o Need to increase scope of project to accommodate intended economic growth
- o Coordinated planning strategy by local group and state agency
- o Funding achieved through effective lobbying efforts of the state legislature and governor
- o Transfer of County and State land necessary
- o Securing of permits by Project Director and private engineering firm
- o Selection of option to best meet needs of boaters and to achieve economic growth goals

### Demand for Project Impacts

- o Preparation of market study and demand analysis by independent consultant
- o Expected economic benefits on local, County and State levels
- o Competition with other public and private marinas

### Environmental Permits

- o Inclusion of environmental groups in planning stages and decision-making process
- o Use of location already considered environmentally disturbed
- o Identified and obtained permits

### Public/Private Sector Issues

- o Support of project by individuals on grass-roots level and also by State Department of Conservation. Working together, they gained support of state legislature and governor
- o Support of project by local business community
- o Education of area residents through presentations and field trips to other facilities, responsible for building public support

### Leadership

- o Provided on local level by individuals strongly in favor of project
- o Active group of local people fought for and sold the project
- o Appointment of Project Director by State Department of Conservation to work within the community
- o Assistance from consultants and engineers to assist "lay people" on technical matters

### Financing Options

- o Lobbying efforts secured state funding (interest free) of the project
- o Recovery of debt through marina operations

## FINDINGS OF SCREENING GUIDELINES TO SPUD POINT MARINA

### Planning Strategy

- o Preparation of feasibility study by independent consultant upon request of local fishermen's association
- o Approval of project after 20 years of planning
- o Consideration of economic benefits to local fishing industry of vital importance
- o Selection of option to best accommodate needs of commercial fishermen
- o Loss of potential Federal grants replaced with State grants and loans
- o Recovery of debt obligation through marina operation

### Demand for Project Impacts

- o Preparation of demand analysis as part of feasibility study indicated need for modernized boat slips and facilities to support fishing industry
- o In direct competition with existing private marinas
- o Scheduled rates higher at public marina due to large debt repayment requirements

### Environmental Permits

- o Consultation with environmental groups from start of project resulted in no conflicts
- o Identified and obtained necessary permits by County-appointed Project Director
- o Inspection of environmental conditions during construction found damage resulting from shortcuts in construction technique

### Public/Private Sector Issues

- o Support of project County-wide unless there is a cost to taxpayer
- o Support of project by local, County and State officials
- o Provision of funding and financing by State agencies constrained by negotiated conditions, including 80 percent use of facility by commercial vessels with Advisory Board to set rates

### Leadership

- o Provided from local fishermen's association during initial efforts
- o Appointment of director of county parks department as Project Director to coordinate funding and construction
- o Assistance from independent project inspector on technical concerns

### Financing Options

- o Public Sector ownership and operation
- o Operation of marina for debt repayment
- o Anticipated spin-off economic benefits to commercial fishing industry
- o Reduced Federal grants created need to scale down project costs
- o Availability of state grant upon agreement to hold 80 percent of slips for commercial use and to appoint Advisory Board to establish rates
- o Guaranteed funding of marina by County should operation fail to generate needed revenue

### FINDINGS OF SCREENING GUIDELINES TO MIAMI BEACH MARINA

### Planning Strategy

- o Response to City redevelopment plan
- o Response time to City's request for proposal placed dependence on city information
- o No request for feasibility study by private owner/operator
- o Handling of permitting process by City

### Demand for Project Impacts

- o No preparation of formal demand figures. Available information based on "hearsay"
- o Commitment by City to locate a marina on current site based more on City's revitalization strategy than demand for boating
- o Demands on public services (fire, police) not increased significantly by marina
- o Competition with other private and public marinas

### Environmental Permits

- o Alleged failure by the City to provide necessary permits caused delays to construction and financial problems between the City, private developer and lender

### Public/Private Sector Issues

- o Development of marina part of City revitalization strategy
- o Initiation of project (construction of breakwater) by City, then passed to private sector
- o Local support (individual and business) of marina as part of City revitalization plan

### Project Leadership

- o Provided by private development firm
- o Assistance by engineering firm on technical questions



### Financing Options

- o Secured funds through private lender at high interest rates
- o Recovery of construction costs through marina operations
- o Payment to City through lease agreement
- o Creation of financial troubles from construction delays due to lack of permits

In summary, these case studies indicate a diversity of approaches to a variety of problems that affect the planning, construction, financing and operations of marinas. All of these case studies involved problems, including loss of funding from one source or another and the need to identify and implement a new financing plan.

## CHAPTER V

### EXAMPLE HANDBOOK APPLICATION

#### Kenosha, Wisconsin: Introduction

Kenosha's Gateway Harbor and Marina project was first conceptualized in the late 1970s as a vital element of the City's downtown redevelopment strategy. The plan was to develop an additional 30 acres of waterfront land by filling a confined disposal facility (CDF), built by the COE, for contaminated lake dredged material. This new property, and an existing piece along the shoreline, would form the basis of the marina and landside development. It was anticipated that the close proximity of this site to Kenosha's downtown area would make the marina a strategic factor for encouraging people to return to the deteriorating business district.

Although designs differed according to the size of the marina, the generally accepted harbor plan was for one breakwater to extend south from the CDF and another east from the shoreline several blocks south of the CDF. Within these walls would be the marina. It was anticipated that the COE, as they had traditionally done for shoreline communities, would give technical assistance on the design and construction of the breakwaters, and financial assistance up to \$2 million.

In 1982, the COE, under its Section 107 Small Navigation Projects Program Authority, began a feasibility study of a recreational boat harbor in Kenosha. The draft report of this project was presented in September 1984. Although the study supported a recreational boat harbor in Kenosha of smaller size than proposed by the City, the CDF was less than 10 percent filled at that time. By the end of 1985, COE policy changes no longer allowed for funding of primarily recreational boat harbors. By this time, the City of Kenosha was not only lacking the 30 acres which were key to the City's project design, but was also out a major potential funding partner.

In 1987, the situation in Kenosha is not too different. The CDF remains largely unfilled, and the City has not been able to identify any other major contributors to fill the void created by the COE's exit. State funds (Department of Natural Resources, Small Recreational Boat Program) were already intended to be used, and with more demand for a relatively small amount (approximately \$6.5 million over the next two years Statewide), assured availability of these funds is also in jeopardy.

An additional and critical financial dilemma faces the City of Kenosha. It involves the 1986 tax law reforms which eliminated the use of tax incentive bonds to private developers. Private development was expected to be lured to the City by the marina, thus creating growth potential. The loss of these bonds and the tax incentives they offer to developers further undermines the City's plans. In October 1986, Congress approved a \$105 million transitional bond program for Kenosha's use, which offered certain privileges, including investment tax credit, ACRS (accelerated capital recovery), and pooling ability. However, in an attempt by the City to make some adjustments to this bill, the Treasury Department issued a corrections bill, which eliminated most

of the advantages of the original transitional bill for Kenosha. Currently, attempts are still underway in Washington, D.C. to resolve this issue.

The City of Kenosha is challenged by an apparent lack of funding resources for their Gateway Harbor and Marina project. According to many City officials, this is not just a marina project, but the key to the City's economic future. As discouraging as the picture may seem, it may be helpful to realize that setbacks such as these are not unusual nor unsurmountable to a project of this nature. Most of the case study marinas presented in this Handbook encountered financing problems involving major changes in sources of funds, including loss of participation by the COE. Based on the case study reviews presented here, financing alternatives are still available for Kenosha.

### Study Description

Location: The City of Kenosha is the "Gateway to Wisconsin." Situated in the County of Kenosha in the extreme southeastern corner of the State, it lies only 37 miles south of Milwaukee and 57 miles north of Chicago. Located on the shoreline of Lake Michigan, it is an ideal location for access to the lake by a market area which includes the Chicago metropolitan area.

Although 80 percent of Kenosha's waterfront is publicly owned, it is extremely under-utilized, especially the portion adjacent to the downtown area. This area is the site of the proposed harbor and marina (Figure V-1). It lies approximately two blocks east of the City's main shopping district and runs four blocks north to south. The site is adjacent to the antiquated, although still in use, Chrysler/AMC lakefront plant, which is the proposed site for future light industrial use.

Size/Physical Description: The most widely agreed upon location for the proposed Gateway Harbor and Marina project, which could effect downtown economic growth, is a 60-acre site adjacent to Lake Michigan, downtown Kenosha, and the Chrysler/AMC lakefront plant. Ultimately, a \$41 million mixed-use waterfront development (Figure V-2) is planned and would include the following characteristics:

- o 600-Slip Gateway Marina
- o Harbor Master Building
- o Public Promenade
- o Lakefront Park
- o 35,000 Square Foot Shopping Area
- o 300 Unit Residential Development



Figure V-1  
**City of Kenosha, WI**  
**Redevelopment Concept**  
 (Based on City Development Plan 1985  
 and Corps of Engineers Report 1984)

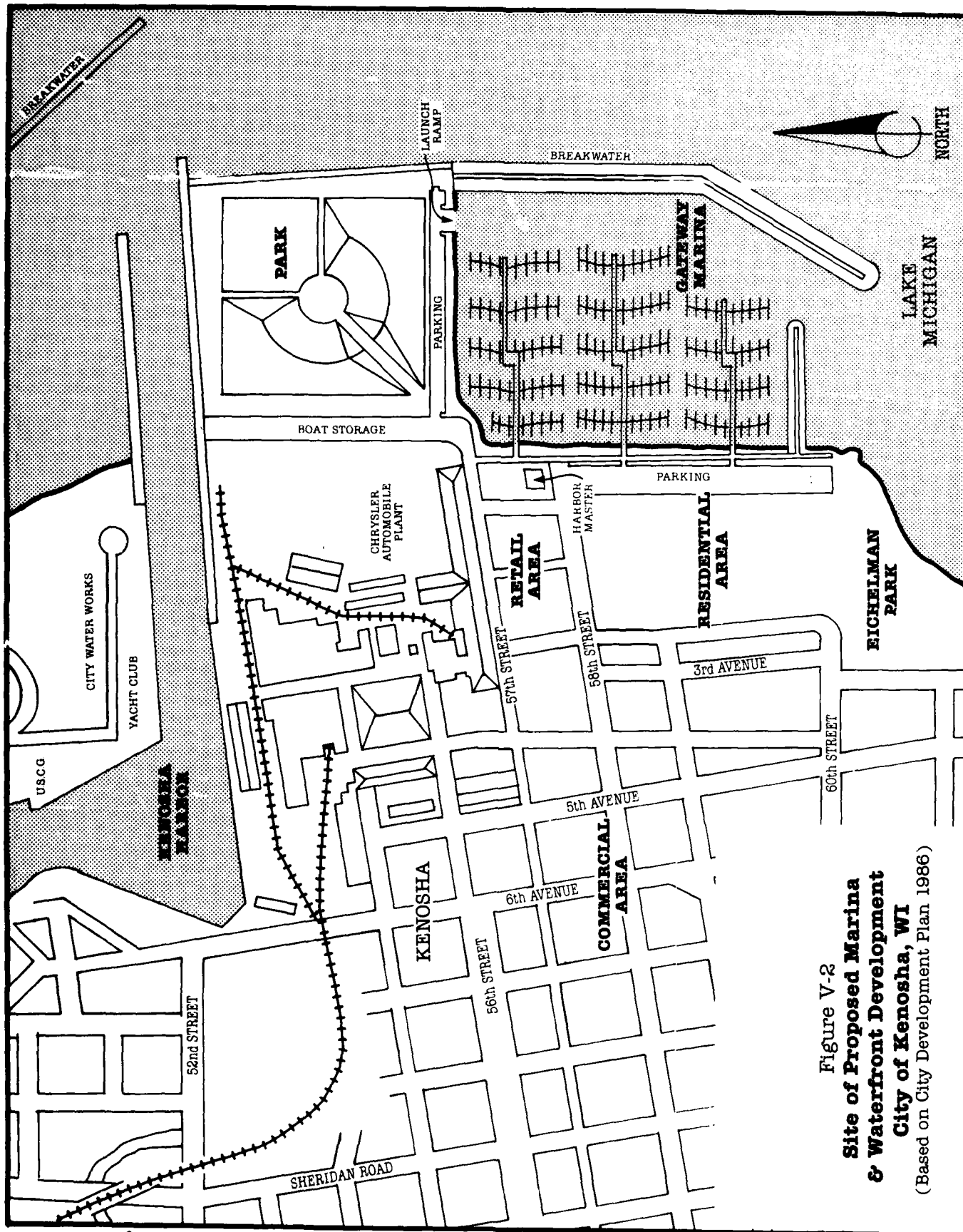


Figure V-2  
**Site of Proposed Marina  
 & Waterfront Development**  
**City of Kenosha, WI**  
 (Based on City Development Plan 1986)

As described in the economic impact study ("Economic Impact of the Gateway Marina & Associated Waterfront Development--Kenosha, Wisconsin") for this project, prepared by the Department of City Development of the City of Kenosha, the Gateway Marina and its associated waterfront development will:

- o Capitalize on the growing demand for marina slips and boat launch ramps in NE Illinois and SE Wisconsin.
- o Provide a catalyst for the development and redevelopment of Kenosha's downtown and waterfront area.
- o Provide opportunities for diversification and expansion of the local economy and generate increased local spending and new jobs.
- o Create a new image of Kenosha and Kenosha County and improve the quality of life in the community.

#### Proposed Project Costs

Public Investment: The generally discussed 600-slip marina project would be developed in various phases, with public and private participation. The critical element of the plan involves construction of a "safe harbor of refuge." This is the responsibility of the public sector and would entail construction of breakwaters and dredging of the area. According to a "Memorandum of Understanding" (MOU) signed by the developer-of-record (LINK Programs) and the City of Kenosha, the public sector development consists of the following:

- o Public marina and promenade, including any required confined dredged material disposal area improvements and public boat launch facilities, plus in each case, appropriate parking facilities
- o Public streets and streetscape improvements
- o Utility relocations and extensions to the project site and the public marina.

Private involvement, according to the MOU, includes the harbor master building for the marina, residential units and commercial space, plus parking.

Construction costs presented here are estimates from the MOU. According to this understanding, the City's role is to fund the harbor and other infrastructure costs, and marina development components, including slips, boat storage, boaters' service buildings, and landscaping. The City also agreed to provide a \$4 million project enhancement inducer loan to the private developer. The MOU established the private sector to be responsible for the harbor master building, the landside commercial and residential development, and the operation of the marina. The following costs are a summary of the proposed project expenses for the public and private sectors, as provided in the MOU.

### Public Costs

#### Breakwater and Other Infrastructure:

Seawall	\$ 1,000,000	
Breakwater	6,400,000	
Parking & Roads	900,000	
Utilities	570,000	
Subtotal		\$ 8,870,000
Launch Ramp & Parking		1,000,000

#### Marina Development:

Slips (600 @ \$8,500/slip)	5,100,000	
Boat Storage	500,000	
Promenade	400,000	
Subtotal		6,000,000

#### Miscellaneous Costs:

Landscaping	700,000	
Street Resurfacing	140,000	
Administrative Fees	460,000	
Contingencies	1,000,000	
Subtotal		2,300,000

Project Enhancement Inducer Loan 4,000,000

Total Public Costs per MOU \$22,170,000

### Private Costs

Harbor Master Building	530,000
Commercial Component	3,392,000
Residential Component	<u>14,600,000</u>

Total Private Costs per MOU \$18,522,000

Discussions have taken place between the private developer and City officials since the signing of the MOU, which have suggested a different approach. The developer has suggested his willingness to build, as well as operate, the marina component of the project for an increased percentage of gross rentals and sales. Before accepting this responsibility, he would require assurance that the City will provide the necessary breakwater and infrastructure improvements. Based on the cost figures presented above, the City's portion of the project costs could be as low as \$8.9 million. Additional miscellaneous costs such as landscaping, street resurfacing and administrative costs would probably increase the public portion by the time of project completion; however, it is important to note the various possibilities available when alternative funding approaches are considered.

### Actors and Funding Sources

Potential funding for the City of Kenosha's harbor/marina and economic redevelopment strategy could be available from the following:

#### Public Sources:

- o City of Kenosha
- o State of Wisconsin
- o County of Kenosha (currently no involvement)

#### Private Sources:

- o Developers (LINK Programs)
- o Corporations
- o Private Interest Groups (individual organizations)
- o Greater Kenosha Area Development Corporation

### Public Sources

Bonds, various taxes and assessments can be used by the City of Kenosha for financing local capital improvements.

Bond Issue: The traditional local approach to funding projects is to seek financing from private lending institutions. This could be accomplished by issuing general obligation bonds for the necessary funds or by floating revenue bonds. In either case, consideration of the debt limits allowable to the City must be analyzed.

The State of Wisconsin has a statutory debt limit of 5 percent of the total equalized value. Table V-1 summarizes the City of Kenosha's Statutory Debt Limit from 1983-1986.

TABLE V-1

#### STATUTORY DEBT LIMIT CITY OF KENOSHA, WISCONSIN

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Maximum Allowable Debt (5% of Total Equalized Value)	\$72,427,005	\$72,437,827	\$71,928,510	\$73,752,395
Total City Debt as of	28,010,000	27,085,000	25,080,000	24,845,000
Per Cent of Allowable Debt	38.67	37.39	34.87	33.69
Balance of Debt Allowable	44,417,005	45,352,827	46,848,510	48,907,395

This Table indicates that the balance of allowable debt is still sufficient to cover the estimated \$8.9 million of proposed public sector costs



to build the breakwater and other infrastructure. Issuance of a bond issue remains a viable alternative to the City as a source of financing.

TIF (Tax Incremental Financing) Districts: Wisconsin law entitles municipalities to define TIF districts where anticipated growth will result from a local economic development strategy. Additional property tax revenues collected within the district go directly to the municipality for 20 years to help recover investment costs; they then revert back to the previous tax distribution formula.

County Sales Tax: Wisconsin law provides counties with the ability to add an additional sales tax within the County for a particular purpose. The City of Kenosha could use this means of raising funds with the cooperation of the County of Kenosha.

Special Assessment District: When specific properties are clearly the recipients of benefits from a public improvement effort, the municipality is entitled to levy a special assessment on that property. Revenues collected from this procedure may only be used to recover costs of the improvement.

Business Improvement District (BID): An individual business or group of businesses may present the City with a petition to form a Business Improvement District. A special assessment is placed on the businesses in that BID when the plan is approved as a means of recovering project costs.

#### State of Wisconsin

A few programs, administered by the State of Wisconsin, could be available for use for capital improvement projects such as Kenosha's proposed harbor and marina. A brief description of these follows:

Wisconsin Department of Natural Resources: Recreational Boating Facilities Program (administered by Waterways Commission). This tax is based on motor boat fuel use. It is distributed by the Waterways Commission for use on lakes and rivers throughout the State. There is currently an estimated \$3 million available for Lake Michigan projects, which provide access to the lake for boaters. This is a 50/50 matching fund and can be used for feasibility studies, as well as construction costs. The City of Kenosha currently has funds available from this program for a feasibility study and could possibly receive \$1.5-\$2.0 million over several years.

Wisconsin Department of Natural Resources: Administration of Federal Programs. The Wisconsin DNR administers and distributes funds for several Federal programs relevant to harbor construction:

Land and Water Conservation Fund (LWCF). This is a 50/50 matching fund. Its purpose is to encourage sport fishing and protection of fishing areas. In addition to stocking lakes and rivers with fish, it also supports making fishing accessible to the public. Piers and launch ramps are allowable uses of this program, however, with limited appropriations (\$1 million in 1987), and a per project ceiling of approximately \$25,000, it is not considered a major source of funding for marina and harbor

development. Future appropriations and criteria governing the use of these funds are uncertain.

Dingell Johnson Act/Wallop-Breaux Amendments. The Dingell Johnson Act was enacted in 1950 for the purpose of developing sport fishery projects and boating opportunities. In 1984, the program was expanded through the Wallop-Breaux Amendment. Funding for this program is primarily received through three sources: excise taxes on fishing equipment, import duties on fishing equipment, pleasure boats and yachts, and motorboat fuel taxes. Funds are distributed to the states through two accounts, Sport Fish Restoration and Boating Safety. Based on criteria established by legislation, the states distribute these funds. In Wisconsin, the majority of the appropriation is used for state programs such as boating safety, education and fisheries. Funds for construction activities are distributed through the Recreational Boating Facilities Program of the Department of Natural Resources.

Wisconsin Department of Administration: Coastal Zone Management Program. These Federal monies are administered by each state, and in Wisconsin by the Department of Administration. Eligible construction for a marina project may be funded to a total of \$200,000, for non-capital intensive projects (e.g., landscaping, launch ramps and promenades).

Small City's Block Grant Program: Cities such as Kenosha, which receive annual revenues directly from Federal Block Grant Programs, are ineligible for the state's portion of this fund. However, counties are eligible. In cooperation with the County of Kenosha, funds may be available to the City.

#### Private Sources

LINK Programs: LINK Programs is the "Developer-of-Record" per an agreement with the City of Kenosha, dated June 1985. Although currently expired, both parties recognize a "gentlemen's agreement" still in existence.

This arrangement is an example of the private investment the City is counting on to feed the economic redevelopment of the downtown area. The harbor/marina is seen as a lure to these developers to bring in retail, commercial, and residential development. In the case of LINK Programs, their agreement not only includes developing these land side facilities, but they would construct and operate the marina as well, eliminating the need for City investment in this construction phase.

Corporations: Corporate involvement in a marina project could range from financial assistance, contributing an employee's time to the planning process, or simply by a chief executive officer voicing acceptance and support for the idea to employees and colleagues. All of these avenues of corporate involvement were vital to the approval and success of Racine's Marina, as described in the case study presentations. Identifying the corporations most likely to benefit from such a project is the first step; next is convincing them of the importance of the project to their employees, the community, and the corporation. Corporate support is also very influential when political support is needed.

Private Interest Groups: Financial contributions could be available from individuals and small organizations. Community fundraisers and direct appeal have been used by some of the case study examples to collect a small percentage of project costs. During early planning of North Point Marina, local boating enthusiasts were invited, by letter, to contribute to a harbor fund. In Racine, personalized bricks were sold to individuals and then placed in the promenade, and service organizations were encouraged to "buy a piece of the park," which included small items such as benches and water fountains. Benefits to incorporating this approach into a funding package not only include the funds raised, but, perhaps more importantly, the sense of community support and involvement which is generated.

Greater Kenosha Area Development Corporation: The GKADC is a not-for-profit organization. It represents the private and public interests of the community. The GKDAC is funded by the City of Kenosha, the County of Kenosha, and private business. Their interest is to support projects that will benefit the community.

#### Local Conditions

Lake Bottom Rights: The Northwest Ordinance of 1787 granted ownership of the lake bottom of the Great Lakes within each state to the individual state to be held in public trust. In the State of Wisconsin, special legislation can grant ownership to municipalities on the condition the land is maintained in public trust. The City of Kenosha was granted this ownership approximately 25 years ago for the majority of its downtown waterfront area. Any use of the lake bottom by private interests (e.g., for the construction of a marina) will require a lease-type arrangement for private sector involvement.

Confined Disposal Facility (CDF): Under a Local Cooperation Agreement between the City of Kenosha and the COE, the CDF was constructed in 1974 and operated by the COE. A later agreement in 1986 provided an understanding between the parties regarding the filling and turnover of the CDF to the City. Filling of the CDF is taking place to best accommodate the City's plans for the site, and ownership of this land will be granted to the City after it is filled and stabilized. Because the area was originally protected under Lake Bottoms legislation, the created land must remain in public ownership.

Site of Commercial/Retail Development: Much of the area proposed for this development is owned by the City, some is protected by Lake Bottom legislation and must always be City owned. An agreement, with the Developer-of-Record, to use this parcel on a lease basis has been negotiated to maintain public ownership yet allow for development. Previous interpretation of legislation granting lake bottom rights to other cities has allowed for similar arrangements in Racine, WI.

Chrysler/AMC Lakefront Plant: Currently, the lakefront site on which Chrysler's plant is situated is owned by a private interest and leased to Chrysler. Specifics of their agreement are not known, nor are the future intentions of the owner as to the use of this property. The parcel is of vital

importance to the City's redevelopment strategy, and attempts should be made to gain the owner's support and cooperation on its use.

Future operations within this plant are also unknown. Although Chrysler has recently spent million of dollars to re-tool a small portion of the plant, the majority of the buildings appear to be deteriorating rapidly. Contacts with Chrysler are also important to the overall City redevelopment plans, so strategies can be coordinated.

"Developer-of-Record" LINK Programs, Inc.: In June 1985, a "Memorandum of Understanding" (MOU) was signed by the City of Kenosha and LINK Programs, Inc., which allowed the developer use of City-owned property for commercial, retail, and residential development in the proposed marina lakefront area. As part of the agreement, the developer would also operate the marina facility. Although this agreement has expired, both parties realize the existence of a "gentlemen's agreement". Since the signing of the MOU, both parties have expressed interest in negotiating the responsibility of construction and ownership of the marina structures to the developer while the City maintains ownership of the land and lake bottom. A renegotiated agreement of this nature would give the City some new financial advantages. The City would not only be relieved of the expense of this construction, but also would receive a percentage of rentals and sales and be able to put these structures on the tax roles.

#### KENOSHA TEST CASE AND RECOMMENDATIONS

The previous sections of this chapter describe a hoped-for-plan to develop a 600-slip marina on the waterfront of Kenosha. The \$22 million total public investment, as defined in the MOU between the City and a private developer, was to be funded by a package of grants, loans and fees. Major sources of funds were to include a \$6.4 million grant from the COE, a \$3.0 million grant from the State of Wisconsin, tax increment financing of over \$3.0 million, over \$5 million from revenue bonds, and prepaid rent on the property supporting the residential and commercial project components.

Based on the case study results presented in this Handbook and the resulting interviews with State officials, it appears that a significant portion of the public investment costs will have to be financed by the public sector, although a bank lease-back arrangement could be possible.

The guidelines developed in Chapter IV identify the planning considerations that must be addressed to develop a successful project. Following is a discussion of these guidelines applied to the Kenosha situation.

#### Planning Strategy

The City of Kenosha has been interested in a marina project since the late 1970s, a relatively short time compared to the case study experiences. The COE provided initial direction for the project by developing alternative harbor

designs and marina layouts and by conducting preliminary feasibility studies as part of its Section 107, Small Boat Harbor Study.

In June 1985, the City of Kenosha and LINK Programs Incorporated signed an MOU (Predevelopment Planning and Redevelopment Agreement Execution Stages), concerning the overall Gateway Harbor Redevelopment Plan. This MOU, which was referred to previously, identified areas of agreement between the City and the potential developer, concerning financing and development responsibilities for the marina and associated landside features. It also identified the need and assigned responsibilities for obtaining further market and feasibility studies and a financial analysis for the overall project.

Although there has been some focus on a marina containing approximately 600 slips, both the COE's "Section 107 Draft Detailed Project Report and Environmental Impact Statement" and the MOU between the City and LINK Programs Incorporated discuss several alternative sized plans. Additional correspondence between the COE, the City of Kenosha, and City consultants also indicate there is some disagreement as to the optimally sized plan, when considering both economic feasibility and engineering design criteria.

The City of Kenosha should:

1. Reconsider the size, location, and purpose of the project, based on current conditions. Partially because of recent changes in the planning environment, the City does not yet have a clearly-defined marina project nor a planning strategy for accomplishing this project. Is the marina to be self-sufficient, including the costs of the harbor infrastructure, or is it to be a "loss-leader," encouraging (and relying upon for cost recovery) other redevelopment activities? If needed to support the desired plan, can partial filling of the CDF be accomplished in an effective and timely manner? How will the recent purchase of American Motors by Chrysler Corporation affect the proposed future light industrial use of the existing AMC/Chrysler plant site? Will there be an adverse impact on the proposed marketing of residential and retail units in the redevelopment plan if the existing AMC/Chrysler plant is not refurbished or demolished?

2. Develop an aggressive information program to increase public and political support for the project. Much of the information for this campaign can be derived from the additional demand, impact and financing studies (described below), that are needed to determine if the Gateway Harbor Project is feasible, and, if so, its optimum size and scope. A project like the proposed Gateway Harbor will not sell itself. As documented in the appendices, good and defensible information on project impacts (potential revenues, as well as costs) is essential for overcoming constituency fears, identifying potential funding partners, and building political support for marina developments.

#### Demand For Project/Impacts

Early estimates of demand for the proposed Kenosha marina were derived by the COE and then reviewed and revised as a result of consultant involvement. These estimates eventually evolved to a proposed 600-slip marina for Kenosha.

However, it is still uncertain whether this is an appropriately-sized marina for Kenosha that can be filled to capacity.

In addition, the COE demand (or market) analysis is primarily concerned with the number of slips that might be rented and users' total willingness to pay for these slips. This is the appropriate analysis when considering the national evaluation criteria that the COE must use in its project studies. Some of the benefits considered by the COE cannot, however, be captured as revenues by local communities or businesses. Still other user expenditures, such as boat fuel costs resulting from the project, can be captured by local businesses and communities (e.g., in the form of sales taxes), but are not included in the national evaluation criteria. Additional economic impact studies are needed to identify the total impacts of the project on local business and community costs and revenues.

The need for these additional studies was acknowledged in the MOU signed between the City of Kenosha and LINK Programs Incorporated in 1985. It was agreed in the MOU that the developer would obtain a market and feasibility study for the public marina, residential and commercial portions of the project (for various sized alternatives). Thus, the additional studies were also needed to determine the impacts of the total redevelopment plan, not just the impacts from the marina and associated services. The developer and City were also to prepare a preliminary financing plan and analysis for the respectively private and public sector development components of the project.

Although the primary objective of the studies cited in the MOU appears to be to estimate the direct costs and revenues to the developer and City, these studies could be expanded to identify other project beneficiaries. For example, businesses in the County of Kenosha might benefit from purchases by visitors enroute to the marina, or the State of Wisconsin might benefit from an increase in jobs created by the retail sales component of the redevelopment plan. This is exactly the type of information (see Appendix C) that supporters of the North Point Marina used to gain political support and State funding for their project.

Demand for slip rentals at a Kenosha marina will be affected by the availability of boaters, the prices charged for slip rentals and the alternative marinas available to boaters in the region. Aesthetics and other amenities and services will also affect the demand for a new marina. Based on the following factors, it appears that Kenosha should reinvestigate the demand for, and appropriate economic size for the marina, as well as the potential economic impacts.

- o The supply of slip rentals at marinas in the vicinity is increasing. Apparently this has been considered (e.g., memorandum for District Engineer, Kenosha, WI Small Boat Harbor Benefit-To-Cost Re-analysis COE Detroit District, 21 February 1986,) but current trends may affect a marina decision at Kenosha.
- o The cost of a marina in Kenosha and the ultimate slip rental charges are not known at this time, nor are the

recoverable costs which are directly affected by the method of funding. (Funding of the Kenosha marina will have to rely on more local and perhaps County and State funds. To the extent that grants may be available [not a promising prospect], the financed costs and ultimate slip rental costs may be reduced.)

- o The "profitable" economic size of the proposed marina is unknown, given the need to cover costs which increase with size and potential revenue sources which also increase with size (at different rates).
- o Local economic and fiscal impacts are proposed as major marina project benefits to Kenosha. Although some analysis has been conducted by the City, it is not clear how the project will influence the community.

The City of Kenosha should:

1. Select an independent consulting firm, experienced in marina planning, to (a) evaluate the demand for slip rentals for feasible marina options at likely rates in Kenosha as well as other services that may be proposed for the marina, (b) estimate the potential revenue to the marina from rentals and services, and (c) determine the economic impacts from the marina and associated redevelopment activities to the City and County of Kenosha and to the State of Wisconsin in terms of increases in sales, employment, income and project-related fiscal impacts.

2. Based on the above information and the planning objectives for the marina, e.g., self-supporting or loss-leader, select the marina size and related services that can most effectively accomplish its redevelopment goals. This information should also be used to gain local public support for the project, identify other potential project beneficiaries, and to lobby for additional political support at the County and State levels.

#### Environmental Permits

Although no apparent problems exist regarding the City's ability to obtain the needed permits, a careful and early review is needed of what permits are required and how and when they will be acquired. The case study experience in Miami Beach demonstrates the need for this effort. The City of Racine Study provides an example of how bottom land arrangements were handled and the permits required.

Environmental concerns by local residents and environmental groups are often major factors in the final decision to build a project. These concerns, although related to permitting, involve public relations and attitudes as well. The North Point Marina approach to early environmental involvement by local interests provides an example of the successful handling of environmental concerns.

The City of Kenosha should:

1. Initiate the permit process at an early stage, in order to determine the potential costs associated with marina options and possible mitigation requirements.
2. Involve environmental interests in the marina planning process at an early stage.

#### Public/Private Sector Issues

A coordinated and supportive public and private sector relationship is essential to a successful project. As was discussed previously, this involves many aspects of a project, including local attitudes and expectations about funding arrangements and cost to them, who benefits, social and community changes, and related fiscal needs and environmental issues.

In Kenosha, the residents are apparently skeptical about the project, except for some local residents who may anticipate property value appreciation. The community is characterized by a labor force which earns wages higher than the national average and by a cyclical economy driven by the automobile industry. This public will have to support the project if it is to be successful.

The lack of project support is also apparent at the Kenosha County level. The County demonstrated its lack of commitment to the project by refusing partial funding of a project director position, apparently because the County does not believe the project will make it in the long run. Most of the case studies demonstrate the benefits of a mutual understanding and cooperation between the county and local municipality. In addition, the business community will have to support the project. Private business sector interests are key elements in the case studies presented in this Handbook. As shown in the case studies, they provide:

- o Leadership and project definition
- o High-level personnel for project direction
- o Funds for feasibility studies, public/political involvement events, and capital investments
- o Support and political involvement for approval of public funds

Kenosha's business community has not made the same commitment to the project that is evident in the case studies. This may be related to the community's approach to funding, which was to rely significantly on grants from sources like the COE. The City needs to recognize that other communities lost similar funding support for their projects. But, as is demonstrated in the case studies, alternative funding arrangements and partnerships of public, and public and private entities and local support can produce successful projects.

The City of Kenosha should:

1. Re-focus the project through the feasibility studies and demand and economic impact studies on local and regional benefits. Through the use of



information programs based on these findings, project leaders can begin to gain the needed support of City, County, and State residents and officials.

2. Encourage local and nationally-recognized businesses, including Chrysler Corporation, Jupiter, as well as other business associations, to participate in the project with personnel, time, and resources.

### Project Leadership

A review of the case studies clearly indicates that strong project leadership is essential for success. In most cases, this leadership was provided through the local government network and by the private sector. Together, this leadership worked to gain support in both public and private sectors.

Leadership from the private side can come from members or groups from the local business community, or from an individual with personal interest in the project. The building of Spud Point Marina was strongly encouraged by the local fishermen's association, who provided the essential leadership to get the project moving. The North Point, Port Washington, and Racine marinas also gained momentum through the efforts of the local business community.

Public involvement and leadership is also a key factor in a successful project. The "public" could be a community, city, county or state and must be in a position to coordinate and lead the project through the feasibility and financing stages. Also, the public entity must commit personnel and resources for the project.

The Kenosha project has not demonstrated this leadership. As previously noted, the COE did provide some initial momentum while conducting its Section 107 Small Boat Harbor Study Project. Although the City of Kenosha and LINK Programs Incorporated did agree to designate and retain a project director or project manager for the overall redevelopment plan in their 1985 MOU, such action was not initiated. Following the COE's termination of its Section 107 Small Boat Harbor Study Project, the City, LINK Programs Incorporated, and some local business leaders discussed pooling funds to retain a project manager, but again, no action was taken.

A project leader, who would report to the City Council on a regular basis, is needed to provide direction, continuity, and energy for the project. The person must be qualified to address the technical, financial, political, and social aspects of managing a project such as this. From the case studies, successful leaders have been former state legislators, current high-level state and county agency personnel, and hired professionals. The project leader will need to elicit support from local businesses, as well as provide direction for obtaining political support and funding.

The City of Kenosha should:

1. Provide the funding necessary to commence with preliminary project costs, including studies, and the hiring of a project director who is qualified to provide the community leadership role and needed technical direction.

2. Determine the degree of involvement by the public and private sectors. Should it be strictly a public project, such as the Port Washington Marina, where the community took the lead and followed through on the project? Or, should the approach be one of a mixed public and private venture, such as the Racine Marina, where leadership came from various public sources, as well as the private sector? This decision should be based on technical and cost information, demand for the project, an understanding of community impacts and benefits, and the funding requirements of the proposed development.

3. Initiate a public/private information program.

### Financing Options

In each of the case studies, financing was a major problem. All of the financing packages were different. Many were initially dependent on Federal sources, which were eventually lost and later replaced by alternative public and/or private sources. None of the case study scenarios are exactly the same as conditions in Kenosha; however, some of the general approaches to funding that were used may still be applicable.

Following is a discussion of some issues concerning the applicability to Kenosha of three general approaches used in the case studies. In Miami Beach (Appendix E), City funds were used to "seed" a project by providing the basic marina infrastructure. Then, private sources of funds were used for all additional developments. For the North Point Marina (Appendix C), special State legislation was used as the primary funding source, supplemented with other existing State and private funding sources. For Port Washington (Appendix A), Racine (Appendix B), and Spud Point (Appendix D) Marinas, various combinations of existing public and private sources were used.

Local Funding of Infrastructure with Remainder Privately Funded: In the Miami Beach case study (Appendix E), the City of Miami Beach funded the costs of the infrastructure facilities (i.e., a breakwater and two piers), and is using private sources for funding all other developments. Through a contract bid award, the City leased the land to a developer for a share of the gross revenue (to recover its infrastructure costs). The contractor is responsible for construction and operation of all marina and associated facilities (including restaurants, convenience and retail stores, and office space). In Kenosha, much of the lakefront property consists of filled in areas of the lake. This land is, therefore, subject to State statutes which govern the use of the lake bottom, so these statutes must be considered when discussing private sector involvement. Although interpretations of these laws are vague, a restaurant built recently in Milwaukee on similar land, and the proposed private development of "lake bottom" land adjacent to Racine's privately operated marina, both with a lease agreement, indicate the possibilities of this type of private development arrangements with the City.

A major advantage of this approach is that it limits the number of other, especially public, actors with which the City of Kenosha would have to be involved. Of course, this also concentrates the risk among fewer actors and will only work if private investors foresee the investment as a potential profit maker. As noted in the above discussion on demand and economic impacts,

some potential beneficial impacts will accrue to businesses and public entities beyond the City limits. Such benefits could not be captured by either the City or private investor for cost recovery.

With the "request for proposal" (RFP) approach used by Miami Beach, (or, similarly, a developer of record agreement), the City of Kenosha would not have to conduct detailed economic impact studies, but could rely more on the contract proposals of the private investors. Only sufficient information to develop community acceptance for the approach and to develop general design concepts for the RFP would be required. The City would not need to fund the infrastructure development prior to initiating the RFP process, as in the Miami Beach case, but could wait until an acceptable contract proposal had been received.

The cost of the breakwater and piers in Miami Beach was \$3.5 million. Using, for discussion purposes only, the costs of similar infrastructure facilities (i.e., breakwater and seawall) for the 600 slip marina from attachments to the 1985 MOU, the costs to the City of Kenosha would be \$7.4 million. In 1986, the balance of allowable debt still available to the City was over \$48 million, or 67 percent of the total allowable debt. By assuming this additional debt of \$7.4 million, the total City debt would increase to \$32.2 million, leaving a balance of \$41.5 million of debt available, or 56 percent of the total allowable debt. The financial situation of the City indicates that the City can safely afford this aspect of project costs. If feasibility studies and economic impact studies remain favorable towards the project, it appears this could be a feasible investment for the City.

Variations of this approach would be for the City of Kenosha to fund more of the marina facilities, for example the slips, in exchange for a greater share of the gross revenues in their lease with the private developer. This could substantially increase the debt incurred by the City. For example, the additional cost of construction for 600 boat slips, launch ramps, parking, boater service buildings, a harbor master building, and other structures essential for a marina operation, would be approximately \$8 million, according to figures from the MOU. In addition to the construction of the infrastructure, this total cost of \$15 million would account for about 20 percent of the total allowable debt of the City. Based on 1986 information, by assuming this additional debt of \$15 million, the City would still have a balance of over \$33 million of allowable debt available, or about 45 percent of the total allowable debt of the City.

This approach provides an opportunity for the City to minimize its efforts in the project. However, the City still should prepare its own up-to-date plan for a marina project and assess the demand for, and economic and fiscal impacts of the project, before a lease agreement is prepared. A key factor in a successful lease agreement involves a reasonable profit potential for the investor. In the Miami Beach case study (Appendix E), plans and impact studies were not prepared, and are an apparent flaw in a successful project. In addition, the City of Kenosha will also have to be very careful in establishing RFP evaluation criteria to insure that a reputable and financially secure investor is selected. It should be noted that the total investment cost of

\$35.2 million for the Gateway Marina Redevelopment Plan is about three times greater than the \$11.3 million cost of the Miami Beach Marina.

Special State Legislation: With limited Federal funding now available for marina developments, states become a primary funding source. The North point Marina case study (Appendix C) is an excellent example of how effective information and lobbying programs were used to develop, in effect, a new funding source through legislative action. A total of \$36 million was made available by the State of Illinois (a \$28 million appropriation and \$8 million from the fuel tax fund) to fund 100 percent of the harbor and marina construction. An additional \$12.5 million of private investment is anticipated for funding additional landside developments, such as restaurants, hotels and retail establishments.

A strong local support group that provided effective lobbying of both local and State officials was a key factor in developing the funding source. The lobbying effort was supported by an effective information program. During the course of the project, a series of feasibility, demand, and economic impact studies were conducted. An early feasibility study indicated the initially conceptualized 600 slip marina design was not large enough to support the redevelopment objectives, and the design was increased to a 1,500 slip facility. Subsequent demand and marketing studies documented not only how the marina could recover its cost in approximately 15 years of operation, but also the beneficial impact the facility would have on the State's economy in terms of increased tourism. The latter information was especially critical in lobbying for the support of the Governor of Illinois, who had been promoting a "Build Illinois" and other programs to encourage growth in the tourism industry.

Although a similar "Build Wisconsin" program may not be available to the City of Kenosha, there are some similarities in the planning environment. Improving Wisconsin's economy and reducing unemployment is a statewide concern, and was a primary issue in Governor Thompson's campaign. He is also very familiar with the employment situation in Kenosha, having been involved in early 1987 when a \$250 million plan was being considered to help modernize the AMC/Chrysler plant there.

It is not known whether or not a lobbying effort, similar to the one used for the North Point Marina in Illinois, could be successfully used by the City of Kenosha at this time. It is known, however, that critical factors to the North Point success included: a definitive project plan, a program providing supportive information as to how the plan would repay its cost and benefit the local and State economy, strong local support, and an effective lobbying effort.

The Gateway Marina concept and location, being only 57 miles north of the Chicago metropolitan area, could provide an excellent opportunity for developing a tourism industry. As previously noted, however, there is presently some uncertainty as to its optimal size, as well as its potential impacts on local and State economies. Local business and community support is also not as evident in Kenosha as it was in the North Point case study. Some of the early activities that the North Point Marina supporters used to identify

and solicit early financial and public support for their project are described in Appendix C.

Mixture of Public and Private Funding Sources: The remaining three case studies, Port Washington (Appendix A), Racine (Appendix B), and Spud Point (Appendix D), describe approaches using various combinations of public and private funding sources. The sources range from selling of "personalized" bricks that were included in project brickwork, to legislative action that transferred money from an unused fund to a program that could be tapped for the marina project (see Appendix B for both examples).

Critical to all three of these case studies, (although particulars vary as to who, when and how), were strong project leadership and local support, a supportive information program, and cooperative efforts between various levels of government, businesses, and private investors. For example, active participation by the County of Racine was, perhaps, the most important key to that marina's success. In exchange for the lake bottom ownership, which was given to the County by the City for the County's promise to develop a harbor and marina, the City spread the project costs among a much larger populace and opened up new funding sources. One such funding source was the additional Community Development Block Grant funds that are allocated to states and distributed under their authority. Racine County was awarded \$750,000 from this source, in funds that could not have been obtained by the City of Racine.

Both the Port Washington and Racine projects are located in Wisconsin, and their case study descriptions identify specific funding sources available to the City of Kenosha. Although there is more competition now for the use of many of these sources, they can still provide a significant portion of project funds. Having a project director or a local supporter who is astute in the political processes used in distributing these funds (as exemplified by the Racine case study) is critical to maximizing their contribution to the project.

Combination of approaches: The five case studies were grouped under the three general approaches described above only for discussion purposes. Obviously, many different combinations of approaches and options can be considered. As noted earlier, no two planning scenarios are exactly the same. The discussion has attempted to describe some of the many options available to the City of Kenosha. Additional feasibility, demand, and impact studies are needed before an optimal financing plan can be delineated for Kenosha.

The City of Kenosha should:

1. Take the lead in initiating the feasibility, demand, and impact studies needed to determine if a project is feasible, its optimal size, and potential beneficiaries.
2. Utilize programs such as those described in the Racine and North Point case studies to obtain funding and support from the local business community and other civic organizations.

3. Using information from the studies identified above, solicit the active support and participation of Kenosha County in the development plans.

4. Based on the information on alternative funding approaches presented through the case studies, and information from the feasibility, demand, and impact studies, identify appropriate funding sources to meet Kenosha's development goals. This City must make a commitment to this course of action by hiring a project director to pursue these sources of funds, and by establishing a reserve of funds available to meet preliminary financial needs.

5. Arrange for appropriate private sector involvement through lease agreements and operating contracts for other privately funded facilities, such as restaurants, yacht clubs, hotels and retail establishments.

#### Summary

Other communities have overcome changes in Federal policy concerning the financing of small boat harbor and marina projects. The City of Kenosha has to take the lead if a marina is to be developed. The case studies indicate the need for commitment and leadership, business, community, and county and state involvement, the need for information to overcome community doubts, and to lobby for political support and the participation of the private sector.

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  - SCORP - VII: "Motorboat Uses Study," October 1986.

## APPENDIX A

### PORT WASHINGTON MARINA

### PORT WASHINGTON, WISCONSIN

#### INTRODUCTION

##### Historical Background

In 1934, the U.S. Army Corps of Engineers (COE) constructed a breakwater for the harbor of Port Washington, WI. Shortly afterward, the town realized that the breakwater was not adequate and improvements would be required to reduce recurrent storm damage, beach erosion and considerable property damage. Renovations to the initial breakwater and construction of a new breakwater and marina were completed in 1983, following 50 years of on and off again planning. A severe storm during the late 1970s helped the community make its decision.

The breakwater improvements were needed to create a safe harbor of refuge in Port Washington. The initial breakwater was inadequate, and a new, southern breakwater was required. The community leaders also hoped that construction of a marina could be an economic boost for the town, and spur needed downtown redevelopment. Therefore, both breakwater and marina improvements were sought.

The City decided to fund its portion of the expense of the project by going to private lending institutions. City advisors estimated that the City's share of the project costs should be approximately \$2.75 million (of the nearly \$6.0 million total cost) and could be borrowed and repaid through the revenues earned by the municipally-operated marina. In 1986, four years following project completion, the marina operation produced a profit following recovery of project expenses, including annual payment of principal and interest of the debt. Currently, the marina has a waiting list, and the facility is regarded very favorably by the community.

The City of Port Washington is currently investigating plans for further harbor protection and the addition of another 80-90 boat slips. As before, the revenues generated by this phase would be expected to cover all operating expenses and debt repayment.

As a bonus to the successful operation of the marina, the City of Port Washington is going through a revitalization process largely due to the visitors the marina has attracted. Buildings have been refurbished, and many businesses have expanded. Port Washington has become a vacation spot for both boaters and tourists.

##### Project Funding

The need for the South Breakwater to create a safe harbor and to protect the harbor and shoreline was a generally accepted fact by the residents of Port Washington, and, therefore, so was the need to fund this portion of the project. The marina development, however, was not generally agreed upon by the

local government representatives and by City residents. A referendum was placed on the general election ballot by the opposition, which successfully reduced the size of the marina from the original design of 230 slips to a modified design of 180 slips. The revised total cost of the harbor and new marina design was approximately \$6 million.

Nearly \$2 million of project costs were funded by the COE, and other contributions were received from the County of Ozaukee. As a result, the City's share estimated by the City's Harbor Commission would be \$2.75 million. In 1979, the City Council voted to borrow \$1 million for construction of the breakwater and the balance when needed for marina development.

The harbor/marina project was developed in four stages, as described below. Specific financial arrangements for each phase are discussed in the following section "Financing Approach." All funding for this project was accomplished with public funds, with the exception of a \$45,000.00 private contribution.

- Phase 1. Breakwater Construction and Modifications
- Phase 2. Marina/Launch Ramp Construction
- Phase 3. Parking Facilities and Utility Arrangements
- Phase 4. Control Building and Service Center Construction

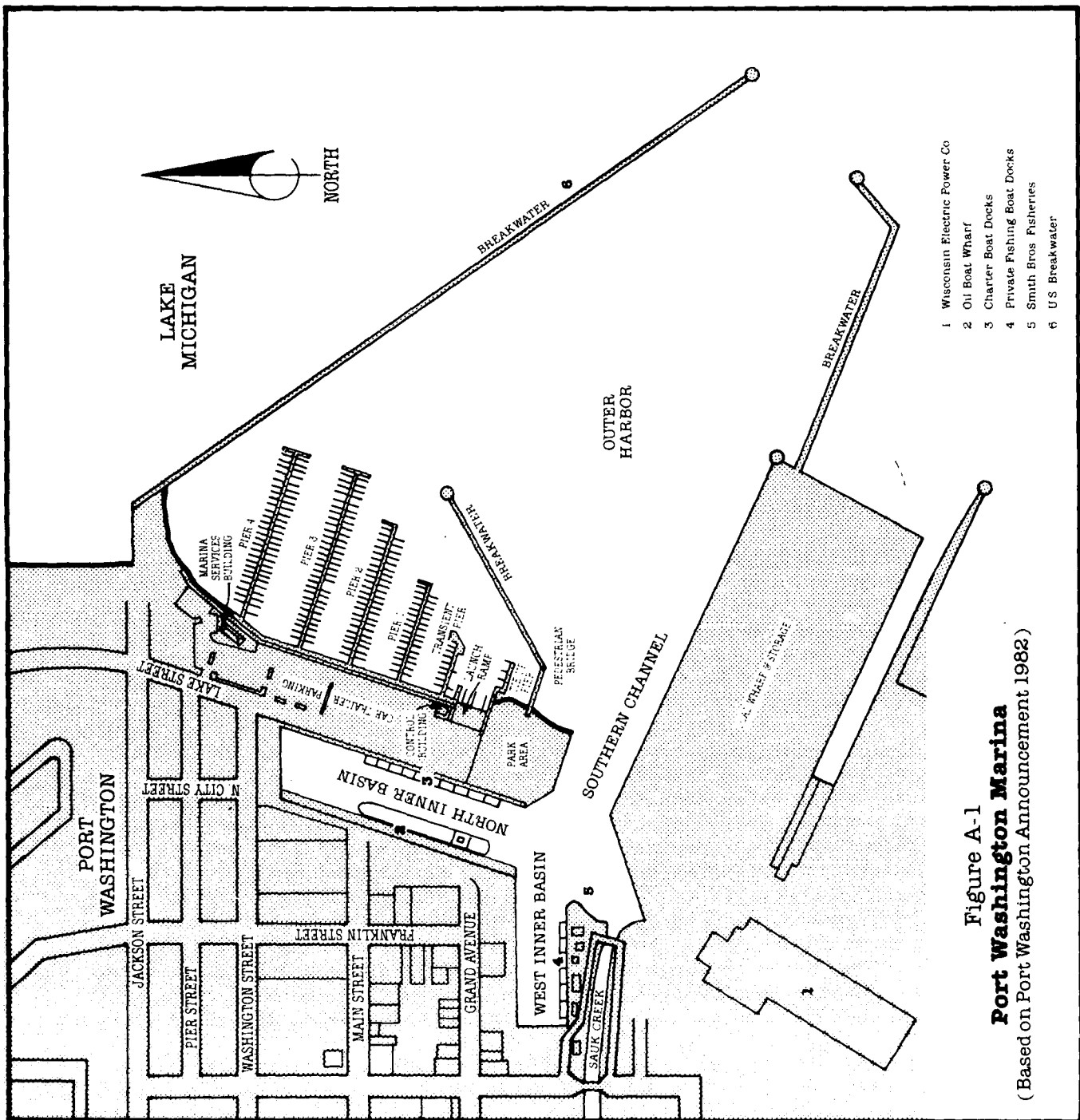
#### CASE STUDY DESCRIPTION

##### Location

Port Washington is situated on Lake Michigan, 29 miles north of Milwaukee, and 27 miles south of Sheboygan. It sits as a little hamlet at the foot of rolling hills to the west and a gently indented bay of the lake to the east. The marina is located only one block from the City's main street and runs almost the length of the City's main three-block area. Boaters have easy access to the City, and visitors can enjoy the vista of the marina from much of the City.

##### Size/Physical Description

The harbor consists of two breakwaters, the North Breakwater constructed in 1934 and strengthened in 1981, and the South Breakwater constructed in 1981 (see Figure A-1). Inside the harbor, created by the breakwaters, are 180 slips ranging in length from 30 feet to 50 feet. Also included is a 6-lane launch ramp and a launch ramp tie-up pier. To the west of the marina, separated by a parking area, is a channel utilized by a fleet of charter fishing boats. Directly to the south of this channel and the marina is the southern channel, used by freighters to deliver coal to the neighboring power plant. Both of these channels remain vulnerable to large storms and would be the beneficiary of the future breakwater now in the planning stages.



- 1 Wisconsin Electric Power Co
- 2 Oil Boat Wharf
- 3 Charter Boat Docks
- 4 Private Fishing Boat Docks
- 5 Smith Bros Fisheries
- 6 US Breakwater

**Figure A-1**  
**Port Washington Marina**  
 (Based on Port Washington Announcement 1982)

The remaining harbor/marina facilities include the Control Building, used by the harbor master and for administrative details, and the Service Building. The Service Building is strictly for the use of boaters and has shower, restroom, and laundromat facilities. This building is scheduled to be enlarged. An under-used park exists at the southern end of the parking area as a result of the referendum revisions.

### Who Are the Actors?

Port Washington is a small community with an estimated population of approximately 13,000 people. This community is governed by an elected City Council and mayor. Regarding waterfront planning, a Harbor Commission and consultants provide an advisory role. In this case, rather than the project being led by a key person, the community provided general support and endorsement over an extended period of time. This support was activated into an implementation effort following a severely damaging storm in the late 1970s.

As in most cases, there was some opposition to generally accepted plans. In Port Washington, the marina development was the topic of debate, and it required a public referendum for approval. Although the marina was accepted, the public chose a smaller 180-slip facility over the original 230 slip design.

The following individuals and organizations represent the major actors.

The Mayor and City Council: Public opinion and City officials seem to have always supported the proposed harbor improvements, but differing views regarding the marina facility were an issue. An organization called "Friends of Democracy" opposed the project, and, as a result, for political reasons, the Council and mayor became less vocally supportive. It appears that the mayor's support, however, for the Harbor Commission's recommendations to build the marina was eventually the critical effort that convinced the public.

The Harbor Commission: This Commission coordinated with the COE and the consultants to identify and evaluate designs and to perform feasibility studies. The Commission's members were supporters of the marina and envisioned the potential positive impact it could have on the economically deteriorating City. Two members of this commission were contacted, and a brief description of their involvement, as representatives of the members, follows.

Frank Metz was born and raised in Port Washington. He knew the past history of storms in the area. As a professional in the community and member of the Harbor Commission, he became a strong advocate for a new breakwater and a marina. Mr. Metz is a vice president of one of the local banks. His expertise was used in finding a suitable financial arrangement for the project.

Charles Graham has been a member of the Port Washington community since his assignment there by the U.S. Coast Guard. He was available as a technical resource for the project and assisted with knowledge of the lake and the general requirements of boating facilities. He worked closely with the COE and the engineers throughout the design and construction stages of the project.

Currently, he is "Harbor Master" of the facility, and provides for the daily operation and maintenance needs of the marina.

"Friends of Democracy": This committee was formed by members of the community who were opposed to the marina project. Their position was that the marina would be a burden to the community, and that it would require an increase in property taxes in order to meet loan requirements. They were not convinced by projected revenues, submitted by the Harbor Commission, which showed the marina to be self-sustaining. The group managed to modify the project size and also required that a park be placed at the site as well.

U.S. Army Corps of Engineers: The COE had been aware of the storm damage problems in Port Washington for many years, as well as deficiencies in the level of protection provided by the initial breakwater. Therefore, when approached by the City to undertake this project, the COE quickly responded to the need.

#### Ownership/Leases (Private/Public)

The entire Port Washington harbor/marina complex is owned and operated by the City. There are no lease agreements at this time with any private firms or businesses.

#### FINANCING APPROACH

The Port Washington Marina project was financed primarily from government grants, and public sector General Obligation Bonds, with the exception of one contribution.

The City of Port Washington funded its portion of the marina project with general obligation debt. By Wisconsin Statute, total general obligation indebtedness is limited to a maximum of five percent of equalized value of taxable property within the municipality's jurisdiction. In 1979, the City borrowed \$1 million for the breakwater construction. In 1981, the City borrowed an additional \$2.55 million.

#### PORT WASHINGTON

	<u>DEBT FOR HARBOR PROJECT</u>	<u>GENERAL OBLIGATION TOTAL DEBT</u>	<u>DEBT LIMIT</u>	<u>% OF DEBT LIMIT</u>
1979	\$1,000,000	\$2,333,563	NA	NA
1981	2,550,000	4,346,000	\$10,329,095	42

Source: Audited Financial Statements, December 31, 1979 and December 31, 1981.

All funds provided by Federal, state, county and private sources were grants and are not repayable.

## Parties Involved

City of Port Washington, WI: The City borrowed necessary funds from private lending institutions. Two loans were required, the first in 1979 for \$1 million (at 5.5-6.6% interest), the second in 1981 for \$2.55 million (at 10-11% interest). The second loan was refinanced in 1985 at 9.09 percent%.

U.S. Army Corps of Engineers: By assuming 52 percent of the Phase I construction costs of the breakwaters, the COE made the costs of the project affordable to the City. Exact costs to the COE are unknown by City officials, but they were estimated at \$1.88 million for the new breakwater. Additional improvements to the existing breakwater were also made but were not part of this agreement with the City. Officials estimate a total investment by the COE at this time for the Port Washington project to be \$2.5 - \$3 million.

County of Ozaukee: The County of Ozaukee also participated financially in this project. Of the initial \$1.5 million breakwater cost to the City, the County agreed to pay half, and contributed \$.75 million to the project. When State DNR funds were allocated to the project, the City split this with the county, returning \$300,000 of the County's original investment.

Wisconsin DNR - Small Boating Facilities Program: The Small Boating Facilities Program was funded in 1978 by the Wisconsin Department of Natural Resources. It allocated funds to this first representative project. On behalf of the DNR, The Waterways Commission, which controls the Small Boating Facilities Program, appropriated \$600,000 to the Port Washington project in 1979. Additional funds were appropriated over the duration of the project totalling \$921,258.

Private Interest Group Contribution: A \$45,000 donation was collected by some of the City's business leaders for construction of the "Service Building," including shower and restroom facilities for boaters. Although this contribution could not cover full costs, it provided the encouragement the City needed to fund the balance for the building.

U.S. Coast Guard: The Coast Guard operates a station in Port Washington which benefited from harbor improvements. Coast Guard participation in this project was approximately \$37,000.

## Construction Costs and Funding Partners

### Phase I - Construction of Inner Breakwater, Repairs to North Breakwater, Dredging

Total costs (actual)      \$3,466,765

City of Port Washington	\$ 473,469
County of Ozaukee	473,469
State of Wisconsin (DNR)	600,000
U.S. Coast Guard	37,665
U.S. Corps of Engineers	<u>1,882,162</u>
	\$3,466,765

Phase II - Construction of Marina and Launch Ramps

Total costs (projected) \$1,875,707

City of Port Washington	\$1,554,449
State of Wisconsin (DNR)	<u>321,258</u>
	\$1,875,707

Phase III - Parking Facilities and Utility Arrangements

Total costs (projected) \$412,800

City of Port Washington	\$ 412,800
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Phase IV - Construction of Control Building and Service Center

Total costs (projected) \$125,534

Private Contribution	\$ 45,107
City of Port Washington	<u>80,427</u>
	\$ 125,534

Total Project Costs

Estimated \$5,880,806

BREAKDOWN OF COST BY PHASE

Phase I	\$3,466,765
Phase II	1,875,707
Phase II	412,800
Phase IV	<u>125,534</u>
	\$5,880,806

BREAKDOWN OF COST BY CONTRIBUTIONS

	<u>CONTRIBUTION</u>	<u>% OF TOTAL</u>
City of Port Washington	\$2,521,145	43
U.S. Army Corps of Engineers	1,882,162	32
State of Wisconsin	921,258	15
County of Ozaukee	473,469	8
Private Contribution	45,107	1
U.S. Coast Guard	<u>37,665</u>	<u>1</u>
	\$5,880,806	100

Operation Revenues and Expenses: Slip rental fees were established in 1982, including a 5% sales tax, as the main source of revenues to cover operation and maintenance expenses, as well as the incurred debt. Current rates are as follows:



SLIP LENGTHANNUAL FEE (As of 7/30/87)

30'	\$ 819.00
36'	1,058.00
40'	1,218.00
45'	1,417.50
50'	1,575.00

LAUNCH RAMP FEES

\$6.00/Launch  
\$94.50 Season launch pass

The other major revenue source is from gasoline and oil sales.

Below is a summary of the revenues and expenses of the marina operation from 1980-1986.

	<u>TOTAL<sup>1</sup></u> <u>REVENUES</u>	<u>TOTAL<sup>2</sup></u> <u>EXPENSES</u>	<u>NET</u> <u>PROFIT(LOSS)</u>	<u>DEBT OBLIGATION</u> <u>(1979 &amp; 1981 NOTES)<sup>4</sup></u>
1980	-	-	-	56,600
1981	-	-	-	56,600
1982 <sup>3</sup>	324,867	144,785	180,082	246,600
1983	390,526	172,055	218,471	267,556.50
1984	395,110	184,510	210,600	262,356
1985	436,548	249,974	186,574	317,637
1986	392,809	216,086	176,723	1,244,937 (Does not reflect 1985 refinancing of 1981 Note.)

<sup>1</sup> Includes operating revenues, revenues on commercial sales, and interest on investment.

<sup>2</sup> Includes operating expenses, commercial sales expense.

<sup>3</sup> Partial year.

<sup>4</sup> One-half of the 1981 note is estimated for harbor improvements and used in this figure. Repayment of 1981 note based on 1981 estimated repayment schedule.

Successful Arrangements

Other Methods Reviewed: No other funding methods were evaluated by the City of Port Washington.

Was This Approach Innovative?: A traditional approach was utilized by the City of Port Washington to fund the harbor/marina project. With the major portion (52%) of the breakwater expense funded by the COE, which was typical prior to the recent Phase I Federal policy changes, the City was able to

finance the remainder of the project by contributions from other sources and conventional lending arrangements.

The Master Plans and Feasibility Studies: The initial planning for the marina in Port Washington began many years ago. Preliminary steps were taken in the early days. Most important of these steps were the master plans prepared by the consultants for the lake front and feasibility studies. These were done several times over many years before the plan was actually initiated.

The most recent of these studies are listed below:

- o October 1974: "Lakefront Development Master Plan" prepared by Ralph H. Burke Associates.
- o July 1978: "Master Plan for Port Washington Marina" prepared by Ralph H. Burke Associates.
- o May 1979: "Proof of Project Feasibility" prepared by City of Port Washington.
- o August 1981: "Port Washington Small Boat Harbor - Cost Summary" prepared by Straam Engineers.
- o September 1981: "Port Washington Small Boat Harbor - Cost Summary, Revision" prepared by Straam Engineers.
- o October 1981: "Marina and Harbor Development Report" prepared by Harbor Commission - City of Port Washington.

These studies formed the foundation of the successful project, and the successful funding arrangement used by Port Washington. Each of these reports supported the idea that a marina would be successful in this City. Although cost and revenue projections vary somewhat from year to year, and report to report, the fact that this project would be feasible was established.

Projections: The July 1978 "Master Plan" prepared by Ralph Burke Associates, estimated marina development costs (excluding breakwaters) to be \$3,372,000. (Projected cost for a 230 slip marina. This cost was decreased to approximately \$2.5 million following the referendum vote which decreased the marina size to 180 slips.) The report also indicated that the revenues from operation of the marina would be adequate to cover operation and maintenance expenses and a major portion of the annual debt incurred for the marina. Based on this information, the City went forward in arranging financing for the project.

#### Problems/Solutions

The traditional financing approach utilized by the City of Port Washington presented no real problems. The high interest rates on the original 1981 note were resolved substantially through refinancing in 1985.

## Evaluation

Could It Be Done Again?: The major role played by the COE in this project is no longer available, therefore, it is unlikely that a project of this size would only require a \$2.5 million funding commitment by a City and \$1.4 million from state and county governments. If other sources contribute substantially to cover the lost COE revenue, the conventional funding mechanism, use of private lending institutions is certainly still a viable method to finance the balance. A feasibility study outlining cost recovery methods adequate to meet payment schedules, or municipal tax-backed guarantees on the loans, would be required.

Programs That Helped Or Hindered?: Hindrance to the financing plan was initiated by the opposition group "Friends of Democracy." An estimated \$1 million was lost, as a result of the down-sized project, from reduced boat slip rentals, a bank note at a much higher interest rate, and lost interest revenues which would have been earned if the entire amount needed for the marina were borrowed in 1979.

On the other hand, Port Washington was quite fortunate in having access to programs that helped the City financially. The most significant was the appropriation from the COE. The other significant program assisting Port Washington was the initiation of the state's DNR-sponsored Recreational Boating Facilities Program at the right time to benefit them. Although they were aware of the possibility of this fund's existence in time for their use, they were not counting on it for funds, so the money received from this source was a bonus.

Important to the Port Washington success story is the apparently very efficient, municipally-operated marina. Municipal operations permit the City of Port Washington to apply 100 percent of its "profit" to the community. Eventually, the marina will pay for itself, and in the near future, will serve as a money-maker for the City.

## APPENDIX B

### RACINE MARINA

#### RACINE, WISCONSIN

##### INTRODUCTION

###### Historical Background

In an effort to halt the progressive deterioration of downtown Racine, the Downtown Racine Development Corporation (DRDC) contracted with an outside consulting firm to recommend an overall city redevelopment plan. The DRDC is a non-profit agency, supported by private corporations with an interest in the City and the quality of life provided for their employees. The onslaught of out-of-town shopping malls, luring people from downtown shopping areas, was leaving the City with increasingly vacant storefronts, pornography shops and other unwanted businesses. Generally, Racine was becoming less attractive to new industry and to potential employees.

The City redevelopment plan was presented to the DRDC with two objectives in mind. To stem the downward tendencies of the downtown, and a long-term need to diversify the economic base of the City. Forty-five percent of all jobs were related to manufacturing and were highly sensitive to national economic conditions. The consultant report recommended that the City once again look to its most important resource--Lake Michigan-- for its solution. The lake was vital to the area's original establishment, offering a fresh water supply and access and transportation to the rest of the world and could now be used to revitalize the City. The suggestion was to investigate what would be required to enlarge and ensure a safe harbor and to develop a marina. This would serve as a lure to associated lakefront development and become an anchor for an entire downtown redevelopment initiative. A City park and festival site were also proposed as a means of drawing local residents back downtown as well.

###### Private Initiative

With the consistent prodding of DRDC member Sam Johnson, CEO of Johnson's Wax, the DRDC collected private contributions to continue with this recommended plan. Continuing without public knowledge, DRDC spent approximately \$.25 million for further feasibility studies. A contracting firm was hired to perform an engineering feasibility study, and the University of Wisconsin-Extension, Recreation Resources Center, was contracted to do an economic impact study on the proposed marina concept.

With a positive response from both studies and specific design plans for the marina and associated development, the DRDC members were now ready to present their ideas to the community. A Lakefront Steering Committee was formed, which included City and County officials, residents and members of the business community, and the project received a vote of support. The City had also been considering lakefront development for the past ten years as part of its long-range capital improvement plans, and was, therefore, ready for the

plan. Convincing the County executive was more challenging, but their decision to support the project was the catalyst needed for success.

#### Public Involvement

The County of Racine agreed, with assistance from the City, to sponsor the harbor development phase of the plan. The County would undertake the major harbor improvements. The City's role would be to develop the associated landside facilities, including a park and public promenade. The private sector would build a festival hall and conference center. The City would also coordinate, with the DRDC, the City's expected renovation and revitalization activities. With this plan intact, it was then presented to the public.

The Racine Marina project is representative of what can happen through a private sector initiative. Available funding through corporate sponsorship to cover the initial study costs was certainly a major factor in the success of this project, but perhaps even more vital was the sense of community spirit and pride these corporations and individuals demonstrated in order to get the concept off the drawing board and into a concrete revitalization plan for the benefit of all City and County residents.

### CASE STUDY DESCRIPTION

#### Location

The City of Racine, Wisconsin, is located on the Lake Michigan shoreline in the southeastern corner of the State. Approximately 16 miles south of Milwaukee, and 63 miles north of Chicago, it is easily accessible to the population of both metropolitan areas.

The marina and festival park are being constructed only two blocks east of the main downtown area of the City. The close proximity means easy access to the downtown district for boaters and also for those attending events at the festival park and hall. This renewal of activity in the downtown area is expected to bring revitalization to the City.

#### Size/Physical Description

The new Racine harbor consists of an existing breakwater, built many years ago by the COE for the commercial harbor, and a series of new breakwaters, funded by the County of Racine, to create a safe harbor for recreational boating. Directly to the north of the recreational harbor is the mouth of the Root River. The river is also used for marine activities.

Racine's marina currently consists of 921 slips, with the potential of adding 600-700 additional slips in the north harbor (north of the Root River) (see Figure B-1). Facilities for the boaters include: Administration Building, Boaters' Service Centers, Parking, Boat Hoist, Launch Basin and Launch Lanes and a Fish Cleaning Station. Top quality is the policy with the intent that a first-quality marina will result in a successful project. Marina construction is being funded through private involvement.

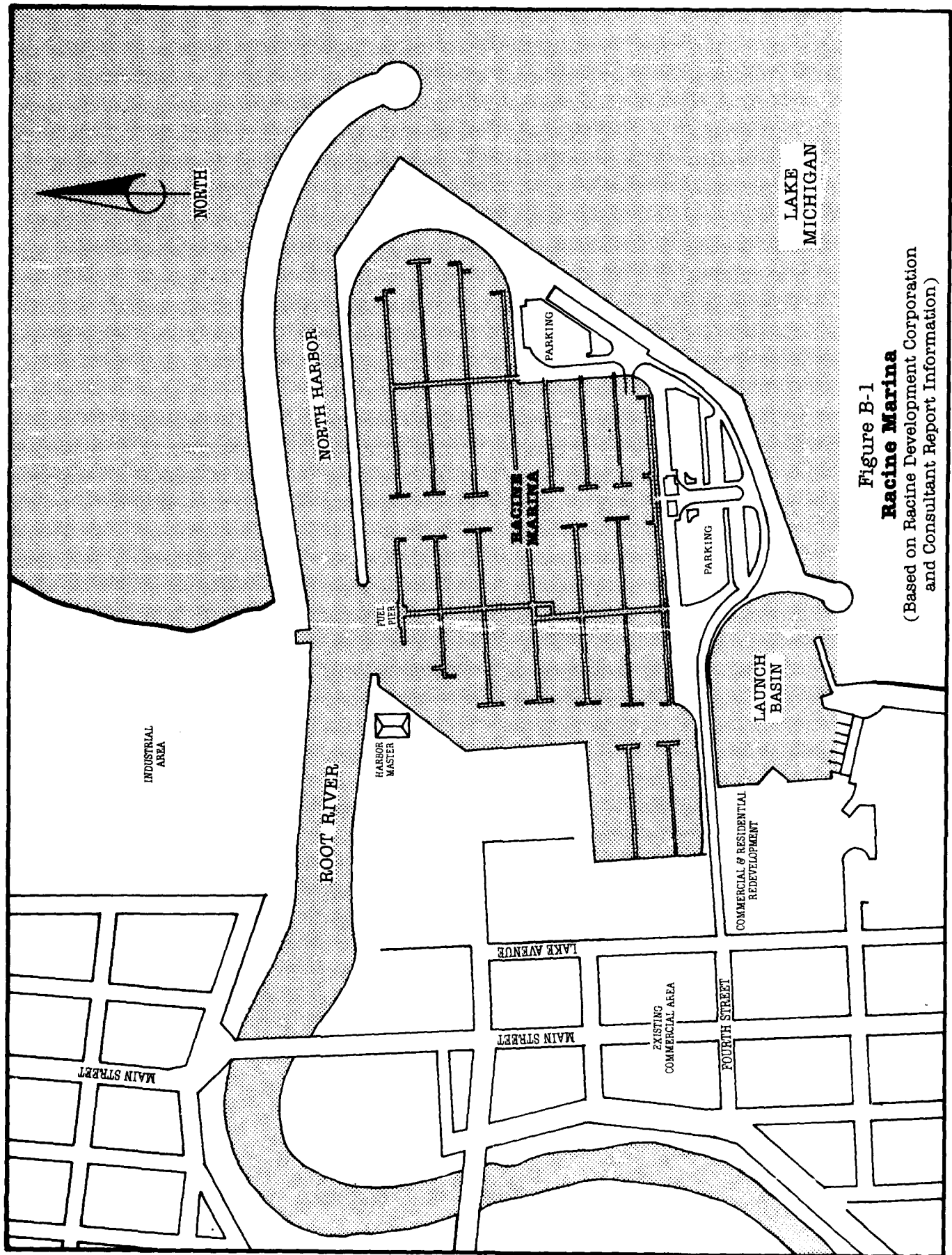


Figure B-1  
**Racine Marina**  
 (Based on Racine Development Corporation  
 and Consultant Report Information)

Associated landside development, funded by the City, is expected to draw local residents to the area. A festival park and pavilion to provide a facility for the 85 annual City festivals, an ice rink, and public promenade comprise the City's construction responsibility to the overall project.

Private sector involvement in the marina development is growing. DRDC sponsorship of the Festival Building, a conference and convention center, was not in the original plans but was the result of a growing interest to hold meetings and programs at the marina site. Lakefront hotels, restaurants, and condominium projects are an integral aspect of the redevelopment plan, and are now being negotiated. Downtown revitalization is beginning to occur with renovations of old buildings, face lifts, and a net gain of 36 new retail businesses.

#### Who Are the Actors?

The following list briefly describes the actors involved in the funding arrangements for this project. The roles each play will be explained later.

##### Private

- o Downtown Racine Development Corporation (DRDC): Supported by the corporate business community, this group's interest is in the economic development of the community.

- Robert A. Gibson, Executive Director
- Samuel Johnson, Chairman, S.A. Johnson, Inc.

- o Racine Marine Associates: Awarded the contract to develop and operate the marina.

- o Private developers: Negotiations currently underway with various firms for the development of lakefront restaurant, hotel and condominiums.

##### Public - City of Racine

- o General Tax Revenues: Used as up-front money to fund project. As early as 1985, the City began a fund for a marina as a capital improvement project.

- o Community Development Funds: Use of \$1.5 million of the City's allotted Community Development Block Grant (CDBG) funds were used for this project over several years.

- o Cost Recovery Methods: City officials anticipate a return on their investment through these mechanisms.

- TIF Districts. Legislation allowing additional property tax revenues within the designated district to be used to recover development expenses in lieu of distribution of these tax revenues to governments and school districts.

#### Public - County of Racine

- o General Tax Revenues
- o General Obligation Notes
- o Cost Recovery Methods

- Lease agreement with Racine Marine Associates. By allowing private development of the marina, the County gave up the funding responsibility and was assured of annual revenues to be used to pay off the debt assumed for breakwater construction.

#### Public - State of Wisconsin

- o Department of Natural Resources, Recreation Boating Facilities Program (Waterways Commission)

- o Department of Natural Resources Local Park Aids Program - Transfer of funds in a Motorcycle Aids program for use by the Racine Harbor.

- o Department of Administration, Coastal Zone Management program
- o Community Development Block Grants (CDBG)

#### Federal

Loss of anticipated funds from these agencies forced Racine to seek \$5 million elsewhere.

- o U.S. Army Corps of Engineers
- o Economic Development Authority (EDA)

#### Ownership/Leases (Public/Private)

Harbor and Lake Bottom: Traditionally, lake bottom ownership in Wisconsin was given to the municipality contiguous to the shoreline. Recognizing the benefits of a County-owned harbor and marina, the City deeded to the County ownership of the lake bottom. Any private development of marine activity on the lake would require a lease agreement with the County of Racine. Breakwater construction was also funded by the County, and is under its ownership.

Marina: Marina facilities, slips, docks, support buildings and other facilities are owned by a private development firm. Rights to construct and operate the marina were awarded on the basis of agreement to specific design plans and a license agreement of lease arrangements and slip and concession fees most suitable to the County.

Festival Park and Hall: Funded through City and DRDC appropriations, these facilities are owned and operated by the City. A commission has been established by the City to oversee these operations and to assist it in



becoming self-sufficient. Maintenance of the park areas will be the responsibility of the City of Racine.

#### FINANCING APPROACH

Once the marina/downtown redevelopment strategy was underway, through the guidance and financial support of the DRDC and the Lakefront Steering Committee, these organizations could take a back seat to the efforts of the County and City. Complementary to the funding arrangements being made by the municipalities, was the work being done by James Rooney, Chairman of the State Waterways Commission, and a previous member of the State legislature representing a district in Racine County. Mr. Rooney was very successful in securing State funds for the purpose of this project.

Teamwork is a primary characteristic of the success of the funding package arranged for the harbor/marina project, and is apparent through the variety of funding sources utilized.

#### Innovative Methods

The mix of private, City and County participation and the cooperation demonstrated by all three is a vital key to the success of the project. The idea may not be innovative but the harmony and efficiency (in spite of some occasional problems) in the implementation of each aspect is rare. Benefits are realized by all concerned groups due to the privatization of the marina: the private sector is operating a successful business and has the advantage of tax benefits; because the dockage is taxable property, the City anticipates \$300,000/year in additional property tax; and the County has a professionally-operated marina with a lease agreement assuring income, which will be used to recover the debt.

#### Successful Arrangements

The Racine project was undertaken in five stages, and the funding was arranged for each. Although the project participants were generally aware of the source of funds for a particular phase, there were several instances when it was not known exactly from where and when the money would come from.

The stages include:

Preliminary Planning: Includes initial studies

Harbor: Includes breakwater construction and repair, dredging, parking areas

Marina: Includes docks, slippage, support buildings

Festival Park & Pavilion: Includes original plans for the park

Festival Building: Includes the Conference Center

Preliminary Planning: As discussed in the introduction, the DRDC funded the downtown redevelopment plan and the economic and engineering feasibility studies. Encouraged through the efforts of Sam Johnson, major local industry contributed the capital necessary to cover these expenses. An estimated \$300,000 was needed for the preliminary planning stages.

Harbor: Two major changes from the original funding package took place as the project progressed:

1. Anticipated COE funding - \$3 Million  
Anticipated EDA Grant - \$2 Million

Because these original sources were not available as a result of policy changes, an additional \$5 million was needed from other sources.

2. Harbor and marina were to be constructed by the County.

Bonds were solicited for these purposes. Eventually, the decision was made to privatize the marina.

County Commitment: Commitment was made by the County to develop this segment of the project. Initial estimates suggested \$12 million was needed for this phase. Expecting State and Federal funds to cover half of the costs, the County pledged \$4.7 million to cover their commitment. A \$4.1 million general obligation note was issued in 1986 for this purpose.

An additional \$.5 million was contributed to the breakwater phase by the County at a later date. The total expense to the County of Racine for harbor development was \$4.7 million.

City Commitment: As with the other levels of government involved in the project, the City also demonstrated its commitment to the project.

o Initial Appropriation - A City donation of \$1 million for the breakwater construction solidified the mutual commitment to the success of this plan. The \$1 million was allocated from a dormant fund established when the City sold school buildings to the consolidated school district.

o EDA Grant - After the original request to the EDA for \$2 million was refused, congressional representatives in Washington sought other methods to assist the project. Through political maneuvering, a \$750,000 EDA grant was made to the City of Racine for an industrial park. The City then agreed to increase its contribution to the harbor by \$.5 million.

o Additional Appropriation - After it was decided that the marina portion of the project would go to the private sector, it was realized that some of the estimated \$9.5 million costs should not be the responsibility of the developer. This included surficial elements, such as roads, parking lots and some utilities. Based on the premise that the City could recover its costs fairly quickly, through an additional \$300,000/year collected in property tax on the marina, the City approved an additional \$1.5 million to the harbor account. Some of these funds were made available from the City's CDBG allotted funds.

State Involvement: The State also demonstrated its commitment to the marina through the efforts of James Rooney. As a former State legislator, his contacts with other representatives and the governor, and his knowledge of the

system, were a tremendous advantage in finding and appropriating funds for the project.

o Department of Natural Resources. Recreation Boating Facilities Program  
Distribution of funds by Waterways Commission - Appropriations of \$2.4 million over a three-year period were made available to the County of Racine for this project. One reason for such a major allotment is the role James Rooney played, as Chairman of the Waterways Commission. Using his political influence to be named chairman and working with the governor and State legislature to once again provide revenue to this fund (the previous administration had not allocated any revenues to this account), he was in a position to appropriate a major portion to the Racine project.

o Department of Natural Resources. Local Park Aids Program - Once again, Mr. Rooney had the opportunity to utilize his influence in the State legislature to the advantage of Racine. In this case, he wrote legislation that would transfer money from an unused fund (originally to aid in building motorcycle parks), to the Local Park Aids program, which was not funded at the time. In this manner, Mr. Rooney managed to secure an additional \$540,000 from the State.

o Community Development Block Grants (CDBG) - Because a County is not eligible to receive standard annual CDBG from the U.S. Department of Commerce, it is eligible to apply to the State for a portion of additional funds which the State has authority to distribute. The County of Racine was awarded \$750,000 from this source.

o Department of Administration. Coastal Zone Management Program (CZM) - An application to the CZM for funds to be used on non-capital intensive, low-cost construction items was approved for \$110,000. Landscaping, benches, water fountains, and other such items, can be provided with these funds.

STATE OF WISCONSIN FUNDING - HARBOR ACCOUNT

DNR - Waterways Commission	\$2,400,000
DNR - Local Park Aids	540,000
CDBG	750,000
Coastal Zone Management	<u>110,000</u>
	\$3,800,000

SUMMARY OF FUNDING SOURCES - HARBOR ACCOUNT

	<u>CONTRIBUTION</u>	<u>% OF TOTAL</u>
County of Racine	\$ 4,700,000	41
City of Racine	3,000,000	26
State of Wisconsin	<u>3,800,000</u>	<u>33</u>
Total	\$11,500,000	100

Marina Account: Original estimates of marina development were \$9 million, and current estimates are \$9.4 million. The County began this project by

issuing a bond to cover costs, but soon decided that the private sector could more effectively handle this phase. An agreement was made with Racine Marine Associates to reimburse the County for all costs to date and to complete construction. Initially, the County agreed to continue funding the construction of surficial elements of the marina (e.g., roads and parking) but, eventually, the City contributed the needed funds for this phase.

This arrangement was profitable to the City, County, and private developer. Since the dockage would now be considered personal property, the City would collect approximately \$300,000/year in property tax, with the use of a TIF District. The County reduced its debt by \$9 million and was assured of a steady income from provisions in the lease agreement, which can be used to recover capital outlays for the harbor phase. The private developer is subject to depreciation over five years, which translates to an approximate \$5 million tax advantage. All parties were beneficiaries in this very successful financial arrangement.

Festival Park and Pavilion: All costs relating to the construction of the park and hall were originally assumed by the City. The original plan allocated the costs as follows:

City of Racine (CDBG)	\$1,000,000
DRDC	<u>750,000</u>
	\$1,750,000

However, as ideas evolved and costs escalated, the private sector, represented by DRDC, made significant contributions. DRDC raised \$.25 million through community fundraisers. Suggestions for a conference center on the site were also prominent at this time, so the DRDC recommended that the City assume the balance of the park expense (now estimated to be \$750,000) and that the DRDC take full financial responsibility for the Festival Building.

SUMMARY OF FESTIVAL PARK & PAVILION ACCOUNT (Final Estimate)

City of Racine	\$1,825,000
DRDC (Community Fundraisers)	<u>250,000</u>
Total	\$2,075,000

Festival Building: DRDC estimated the costs for the construction of the conference center at \$3 million. Within 60 days of commitment to the park and pavilion project, pledges of \$2.5 million were received from the private sector.

The balance of funds is being generated by community fundraisers. These programs have been successful in raising adequate contributions and in encouraging community involvement. The two successful programs used by DRDC are briefly described below:

1. "Personalized Bricks": For \$30/brick, the buyers' name is imprinted on it and then the brick is set in the project's brickwork. The goal of selling 3,000 bricks has been surpassed with the sale of 7,000, raising over \$200,000.

2. "Own a Piece of the Park": Small community organizations were given the opportunity to buy small components of the park (e.g., benches, gardens). So far, \$130,000 has been raised from 170 contributors.

SUMMARY OF FESTIVAL BUILDING FUNDS (Projected)

DRDC Private Contributors	\$2,500,000
"Personalized Bricks"	210,000
"Own a Piece of the Park"	130,000
Uncollected	<u>210,000</u>
Estimated Total	\$3,050,000

SUMMARY TABLE OF ACTUAL & PROPOSED PROJECT COSTS AND FUNDING SOURCES

	<u>CITY</u>	<u>County</u>	<u>State*</u>	<u>DRDC**</u>	<u>PRIVATE DEVELOPER</u>	<u>TOTAL</u>
Preliminary Planning				\$ 300,000	-0-	\$ 300,000
Harbor Imprvmnt	\$3,000,000	\$4,700,000	\$3,800,000	-0-	-0-	11,500,000
Marina Const.	-0-	-0-	-0-	-0-	\$9,400,000	9,400,000
Festival Park	1,825,000	-0-	-0-	250,000	-0-	2,075,000
Festival Hall	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,050,000</u>	<u>-0-</u>	<u>3,050,000</u>
TOTAL	\$4,825,000	\$4,700,000	\$3,800,000	\$3,600,000	\$9,400,000	\$26,325,000

\*State Funds:

Local Park Aids	\$ 540,000
Waterways Commission	2,400,000
CDBG	750,000
Coastal Zone Mgmt.	<u>110,000</u>
	\$3,800,000

\*\*DRDC Funds:

Private Industry	\$2,800,000
Community Fundraisers	590,000
Uncollected	<u>210,000</u>
	\$3,600,000

With project costs so evenly distributed to the various levels of government involved, it is clear to see why this project is a partnership. The mutual cooperation and assistance is clearly one reason for this project's success.

## Problems/Solutions

Loss of anticipated Federal funds was the main obstacle to be overcome throughout the duration of this project. Leadership and creativity in seeking replacement funds, mostly found at the State level, was the solution.

This project is like most marina projects. The concept of the marina "how will it look", "who will function in what roles", and "to what extent" is an evolving process and is not clearly understood by all of the parties. And, as a result, there are risks that must be taken in leading the project forward while not knowing from where funding will come. This group made the needed initial investments and, once those commitments were made by the City and County, it was generally felt that one or the other would somehow secure the funds. So far, they have always been able to meet their obligations.

## Evaluation

Could It Be Done Again? With a similar mix of participants, this scenario could be repeated. However, the chance of having individuals with the vision and abilities of Sam Johnson, Bob Gibson and James Rooney to initiate the ideas, and to keep the project moving, represents the challenge of all successful projects. Successful projects are not only dependent on an availability of funds, but also on individuals who are ready to commit time and effort to the project and to see it through the inevitable obstacles.

Racine had the advantage of being one of the first to propose State funding assistance in a marina project in Wisconsin and the expertise for identifying and obtaining funds. Competition is now increasing and more municipalities are seeking the Waterways Commission funds. As a result, the distribution of these funds is closely regulated. It is unlikely that a single community will again be able to benefit from these funds to the extent of Racine.

Programs That Helped Or Hindered? A well-established and respected organization like the DRDC, outside of municipal government, was a major factor in this project. It provided impetus and momentum during the initial phases, and acted as coordinator of all groups involved. When occasional friction developed between City and County efforts, the DRDC would mediate the situation. The organization was also able to solicit much needed private corporate support, and keep it out of the political realm.

The privatization of the marina was a step that all participants felt was beneficial. Also, the County recognized the need for professional operation of the facility, if it were to be a first-class marina. Although the public and private sectors are now sharing the proceeds, the County is assured a steady income from the marina, without the worries, and the City of Racine is now able to add the dockage to the tax roles.

Active participation by the County of Racine is perhaps the most important key to the marina's success. The marina would most likely be non-existent if the City attempted to proceed without the County. In exchange for the lake bottom ownership, which was given to the County by the City for the County's

promise they would develop a harbor and marina, the City greatly spread the costs to many more people. They also opened up new sources of revenue, such as the CDBG funds, and created a County-wide interest for the project. This is not to say that there was total acceptance by County residents for the project. Some say the County executive lost the next election due to his support of the harbor development.

Effective utilization of the political process is also evident in this case. This project also demonstrates the value of teamwork and the need to work within the system to achieve financial and policy support.

## APPENDIX C

### NORTH POINT MARINA

### LAKE COUNTY, ILLINOIS

#### INTRODUCTION

#### Historical Background

Imagine a public meeting called by the local Chamber of Commerce to present a downtown economic development plan which largely focuses on the building of a marina. Discussed are the general plans for the project, its location, size, and thoughts regarding how to fund this effort. Near the meeting's conclusion, an unknown man, independent of the presentation, stands and asks permission to read a statement from the Director of the State's Department of Conservation. In essence, it says that the State has, coincidentally, selected a site in this town for developing a marina, the site is available, the funds are available, and what they need to know is that the public is supportive. Sound too good to be true? Maybe. But this is exactly what happened during a meeting held by the Zion/Winthrop Harbor Chamber of Commerce when presenting ideas about a marina to the public.

The idea of a marina was not new to the Winthrop Harbor/Zion area. For decades, it had been discussed off and on but was discarded for one reason or another. This time was different. Interest in attempting to revitalize a deteriorating downtown area was stimulating this effort, which began in 1975. Several possible sites were not feasible, but now there was a plan they thought might work.

The Illinois Department of Conservation efforts were initiated when the "motorboat fuel fund" was to be reinstated. Revenue collected from this fuel tax is designated for boaters' use instead of Department of Transportation use and an estimated \$2 million per year could be used. For a project of this size, it was estimated that it would take four years to complete, and \$8 million (or four years of the available funds) was allocated to this project.

Winthrop Harbor was selected for this State project for several reasons.

- o State ownership of the lakefront property of this site (part of Illinois Beach State Park)
- o Lake County owned the adjoining land (to the west), some of which would be needed. This land was designated as a forest preserve.
- o The site was an "environmentally disturbed" area. Having been a former subdivision, which was engulfed by Lake Michigan, it was felt there would be little environmental opposition.
- o Road access was already available to the site, which lies about one mile from the downtown area of Winthrop Harbor.



### Development of Project Plans

A consulting firm was selected to design a 600-slip marina that would support a resort hotel, quality restaurant, and would provide a base for economic redevelopment for the village. A feasibility study was performed and showed that a 600 slip marina would be unable to achieve the desired results, and that a 1,500 slip marina would be needed to accomplish these plans. The proposed 600-slip, \$8 million marina was now a 1,500 slip marina with estimated costs of almost \$36 million. An additional \$28 million was needed if the project was to be built.

### The Role of Local Public Support

Strong local support for the project was the key factor in meeting these funding needs. Realizing that the marina plans could die at this juncture, the local people rallied town, County and regional officials' support. Local interests focused their efforts on potential funding from the State of Illinois and concentrated on the political process at the State capitol.

Special legislation for an additional State appropriation of \$28 million was written and support was needed for passage. The bipartisan local organization learned to lobby, and then they lobbied every State legislator for approval of this bill. One creative effort, used several times, was to invite each representative and their families, for a "legislative excursion" at Illinois Beach State Park Resort Hotel, a local lakeside resort. From here, fishing trips, parties, and a day at nearby Great America Amusement Park were used as inducements and lobbying opportunities by the local supporters.

In addition, the local group went directly to the governor. They stressed the importance of the marina to increased tourism and finally won his support. A total of \$36 million was made available by the State of Illinois for the North Point Marina (\$8 million from the fuel tax and a \$28 million appropriation).

Although State money is funding 100 percent of the harbor and marina construction, it is considered a joint State and local effort, for it was the local dedication and personal commitments that made the project a reality.

## CASE STUDY DESCRIPTION

### Location

The Village of Winthrop Harbor, Illinois, is located on Lake Michigan in the northeastern corner of the State. Located in Lake County, it is easily accessible to the Chicago metropolitan area. The City of Chicago is about 40 miles south of the village.

The downtown area of Winthrop Harbor lies about one mile west of the shoreline. In between is a County-owned forest preserve, an area protected from all future development. Illinois Beach State Park comprises a large portion of the State's northern-most lakefront property, on which the marina project is sited.

### Size/Physical Description

The marina, which is currently being built, is located in the midst of a County forest preserve and, as a result, the site is aesthetically attractive. Two inner breakwaters will be guarded by north and south outer breakwaters, providing a safe harbor (See Figure C-1). The harbor, marina and associated landside development are built on 160 acres of land and water. Facilities to be constructed on the site include:

- 1,493 Slip Marina
- 10 Launch Lanes and Holding Docks
- Commercial Basin with 60 Charter Boat Slips
- Fishing Areas On-Shore and on Breakwaters
- Boater Service Facilities
- Administration Building
- Parking
- Public Festival Plaza and Promenade
- Marina Center (Storage & Maintenance Area)\*
- Resort Hotel, Conference Center, and Retail Space\*
- Restaurant\*
- Yacht Club\*

\*Private Investment

It is being built as a first-class marina.

### Who Are The Actors?

Major actors in this project include a wide range of individuals, groups, and politicians. Below is a brief list of the major players.

Local Supporters: Community members of Winthrop Harbor and Zion were instrumental in maintaining necessary interest and support of the project. This successful organization of local residents was headed by Brunhilde Wesser, Co-chairman, Marina Committee of the Zion/Winthrop Harbor. Mrs. Wesser has been supportive of a marina for many years.

State of Illinois, Department of Conservation: The marina is a project of this agency. Their decision to build a State-owned and operated marina was the catalyst for the project, which is now under construction. Under the tutelage of the Department of Conservation, legislation was written which eventually secured the necessary funds for construction.

William Jansen is the Department's project director for the North Point Marina. The project is not only a professional interest, but his personal enthusiasm and support of the marina has been a valuable asset to its success.

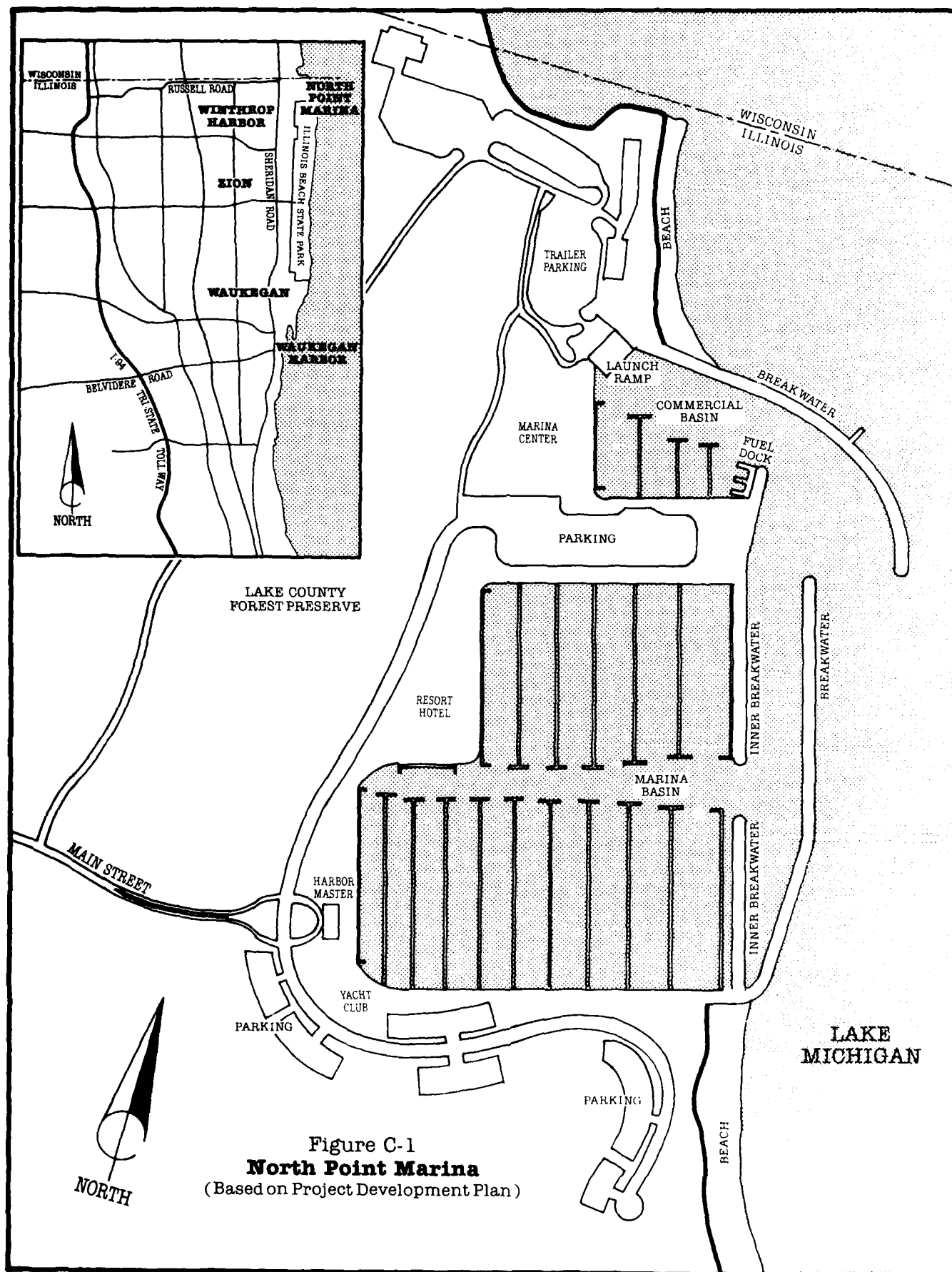


Figure C-1  
**North Point Marina**  
 (Based on Project Development Plan)

### County and State Politicians

Support of local politicians was critical if the project was to be funded entirely through State funds. Their convictions of the project's benefits to the State were necessary in order to convince their colleagues of the same.

### Ownership/Leases (Private/Public)

Harbor/Marina: Ownership of acreage of the entire harbor and marina project is held by the State of Illinois. Originally, a portion of the land needed for the project was part of the County forest preserve and owned by the County. However, a mutually-beneficial agreement was reached between the City and County, which deeded the desired land to the State.

Lake Bottom Rights: In the State of Illinois, rights to the lake bottom belong exclusively to the State, held in trust for its residents. Enabling legislation to approve special uses is required and has been granted for the North Point project.

Private Development: Under long-term lease arrangements with the Illinois Department of Conservation, the selected developer will have the responsibility to design, construct, and operate the landside improvements. These opportunities include four parcels:

- o Marina Center
- o Fine Dining Restaurant
- o Yacht Club
- o Resort Hotel

Negotiations are currently under way to secure an agreement for the first phase of this development. A fee schedule will be established with the State, and revenues will be collected to help repay the \$36 million State grant.

## FINANCING APPROACH

### Funding Partners

This addresses the funds collected and appropriated towards the objective of constructing a marina. A small local fundraising effort will be briefly discussed, as well as the final arrangement of the \$28 million legislative appropriation, and the original \$8 million obtained through the motorboat fuel tax fund.

Private Sector Contributions: When the Chamber of Commerce of Zion/Winthrop Harbor seriously began consideration of developing a marina in the area in 1975, they realized the need for capital to cover expenses. An appeal was made directly to boaters for monetary contributions to support the Chamber's efforts with this project. A total of \$18,000 was collected as a result of a fundraising letter. In spite of this support, the attempt to establish a site, and initiate a marina was unsuccessful at that time.

The second use of private funds was for lobbying efforts provided by local residents and businesses. Personal time and finances were expended for all of the lobbying trips to the State capitol in Springfield, IL, by all involved individuals. Also, \$10,000 was raised from private business to cover the costs for the "legislative excursions", the 3-day events to Zion/Winthrop Harbor by the legislators. Although each guest paid for his own accommodations at the resort, all meals, entertainment, and other activities were donated by the local business sector.

State of Illinois Funding: Two sources of funds were established for use by the North Point Marina project. The first is the \$8 million grant made available through the Department of Conservation. A percentage of the fuel tax revenues are dispersed to the Department of Conservation each year, and it is this source which was originally expected to cover all project costs. The \$8 million would consist of a 4-year, \$2 million per year grant. As discussed further in this section, it was agreed to repay this grant to the State, along with the additional \$28 million loan.

Upon deciding on a 1,500 slip marina, instead of the original 600 slip plan and realizing the need for an additional \$28 million, strategies were discussed as to how to raise these funds. General obligation bonds were suggested, but deemed inappropriate. A plan was then devised to go directly to the State legislature to seek a \$28 million appropriation. The legislation was written by staff of the Department of Conservation, based on cost estimates and projections developed in the feasibility analysis. The feasibility study also determined that marina operations should recover project costs by the year 2003, approximately 15 years from the time it begins operations. Based upon this information, legislation was written to guarantee repayment of the entire \$36 million (\$28 million from appropriation plus \$8 million from fuel tax revenues). Any additional profits the marina might earn would be placed in a special reserve fund to cover costs of major maintenance or capital improvement needs of North Point Marina. With these unique arrangements written in the legislation, and the effective lobbying efforts by local Winthrop Harbor/Zion residents, an approval was won for the \$28 million appropriation. The Illinois Department of Conservation now had established all the funding that was required to build the public portion of the harbor/marina project.

Private Investment: As discussed previously, private investment will be used to provide most of the landside development, including a marina center, restaurant, yacht club and resort hotel. Although no agreements have been reached with any developers, total cost of this investment is estimated at \$12-14 million. Initial phases of this development are currently being negotiated. Anticipated breakdown of this landside development is as follows:

Marina Center	\$2,726,600
Hotel/Retail	8,054,600
Yacht Club	499,000
Restaurant	<u>1,191,400</u>
TOTAL	\$12,472,000

Source: Economic Impact Analysis of the North Point Marina, Williams-Kuebelbeck & Associates, Inc., January 1986, p. 20.

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STRATEGY HANDBOOK FOR RECREATIONAL SMALL BOAT HARBOR  
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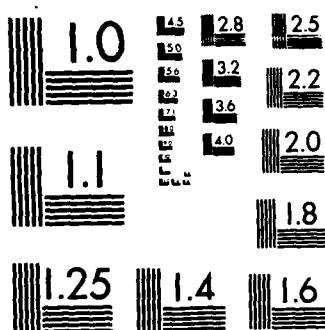
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### Budget of Projected Costs - Summary

The budgeted allowance, provided by the State of Illinois, for the harbor and marina development is \$36 million. Private development is currently being negotiated, but an estimate of \$14 million is expected to be spent to construct these facilities. Total construction costs for the harbor/marina and landside development is approximately \$50 million.

Breakdown of Harbor/Marina Costs: Based on the analysis of several designs, the final plan was selected. Table C-1 presents the estimated cost breakdown for the construction of the harbor/marina phase of the North Point project.

TABLE C-1

#### HARBOR AND MARINA DEVELOPMENT COSTS

<u>ITEM</u>	<u>SELECTED DESIGN</u>
Breakwater	\$ 9,646,000
Perimeter Walls	1,350,000
Dredging	4,808,000
Landside Support Facilities	<u>4,000,000</u>
Subtotal	\$19,804,000
Soft Cost*	<u>\$ 5,248,000</u>
Subtotal	\$25,052,000
Slip Cost (including soft cost)	<u>11,066,000</u>
TOTAL	\$36,118,000
Cost Per Slip	\$25,600
*Soft Costs	- 26.5 percent
Contingency	- 15 percent of construction
Engineering	- 6.5 percent of total cost
Administration	- 3.5 percent of total cost

Source: North Point Marina, Illinois Beach State Park Feasibility Study - Main Report, Epstein, Guil Engineering, Inc., Williams-Kuebelbeck & Associates, McVatt and Nichel, Engineers, October 1985, p. 35.

### Successful Arrangements

Funding: Although it is too soon to determine the success of the marina, and the ability of the marina operation to meet the obligation of repaying the loan to the State, the arrangement presented to the General Assembly in the legislation is considered to have the potential for success. The income and



expense projections presented were adequate to convince the legislators that the proposed marina would be a good investment for the State and that revenues from the project would pay back the loan over time.

Legislation provides a schedule for repayment of the \$36 million. The schedule requires payments totaling \$3 million annually for years 1990-1997, decreasing to \$2 million annually from 1998 through 2003. Table C-2 presents a summary of cash flow projections for the first 15 years of operation.

Economic Redevelopment Strategy: Success of the marina project is expected to have a positive impact on the economic situation in Winthrop Harbor and neighboring communities. Predominantly blue-collar, the residents of the Village of Winthrop Harbor suffered severe setbacks due to the loss of area industry. The village reflected these conditions through less retail activity, more vacant buildings, and increasingly deteriorating conditions. These conditions are not unique to Winthrop Harbor, but characterize communities on Lake Michigan whose livelihood was based on industry.

The Lake County Economic Development Commission recognizes the need to generate economic redevelopment in the County. It is strategized that to attract new industry to the area, the quality of living standards must be high enough to satisfy the lifestyle of the personnel these new industries employ. The North Point Marina project, as well as Waukegan's marina, and other proposed marinas within the County, are viewed as vital steps to achieving the goal of attracting industry because the marinas connote a higher lifestyle. Major expansion of the Waukegan Municipal Airport, improvements in highway systems, and renovation of downtown areas are all included in the County's economic redevelopment master plan.

The Village of Winthrop Harbor expects immediate economic benefits from the marina to be realized at the local level--if the village is prepared. The community is now beginning to reassess its land use policy and to establish an updated zoning ordinance to control growth. Business owners are being encouraged to renovate buildings. Studies estimate that as many as two million visitors per year may be attracted to the marina and many could stop at the village and spend their dollars. It is estimated that the total economic impact on the local area could be \$17 million per year and that the business community of Winthrop Harbor can capture a portion of this economic windfall.

Increased tax revenues represent a portion of the economic benefits that will be generated by North Point Marina. Table C-3 summarizes this anticipated revenue. Larger sales volumes and new retail, commercial, and industrial activity within the town are all expected as North Point Marina operations get underway.

TABLE C-2

SUMMARY CASH FLOW PROJECTIONS FOR THE FIRST FIFTEEN OPERATING YEARS  
(In Thousands of Future Dollars)

	Year 6 <u>1994</u>	Year 15 <u>2003</u>	Total <u>Years 1-15</u>
	(Stabilized Revenues)		
Gross Income <sup>1</sup>			
Marina Slips/Winter Storage	\$4,960.5	\$ 7,060.3	\$77,630.4
Marina-Related Leases	64.4	91.7	1,013.9
Other Commercial Leases	<u>230.6</u>	<u>328.2</u>	<u>3,278.1</u>
Total Income	\$5,255.4	\$ 7,480.1	\$81,922.3
Operating Expenses	<u>1,204.9</u>	<u>1,714.9</u>	<u>17,751.0</u>
Net Operating Income	\$4,050.6	\$ 5,765.2	\$64,171.0
Scheduled Payments to State	<u>3,000.0</u>	<u>2,000.0</u>	<u>36,000.0</u>
Net Income After Debt Service	\$1,050.6	\$ 3,765.2	\$28,171.4
Replacement Reserve Allowance <sup>2</sup>	645.8	645.8	7,103.8
Replacement Reserve Fund Balance <sup>3</sup>	1,343.3	10,749.7	10,749.7
Annual Net Surplus <sup>4</sup>	404.8	3,119.4	21,067.6
Cumulative Net Surplus	3,298.9	21,067.6	21,067.6
Total Marina Fund Balance <sup>3</sup>	4,075.7	30,584.9	30,584.9

<sup>1</sup>All income and expense categories escalated at an annual inflation rate of 4 percent.

<sup>2</sup>Based on total hard construction costs (except dredging) and an expected life of 100 years for the breakwater and 30 years for the remaining items. Annual replacement reserve allowance equals 1/98 of breakwater costs plus 1/28 of remaining costs, beginning in 1991.

<sup>3</sup>Includes interest at 8 percent of fund balance for previous year.

<sup>4</sup>Equals net income after debt service, less replacement reserve allowance.

Source: North Point Marina, Illinois Beach State Park Feasibility Study - Main Report, p. 52.

TABLE C-3

SUMMARY OF NET ANNUAL FISCAL IMPACTS  
NORTH POINT MARINA PROJECT

	<u>Municipal</u>	<u>County</u>	<u>State</u>	<u>Other</u>
Property Tax	\$ 65,163 <sup>1</sup>	\$22,718	N/A	\$264,766 <sup>2</sup>
Retail Sales Tax	91,760 <sup>3</sup>	N/A	\$451,870	
Motor Fuel Tax				56,931 <sup>4</sup>
1/4% Regional Transportation Authority Sales Tax				22,940 <sup>5</sup>
Other Fees & Permits		\$20,400*		
Income Tax			44,947 <sup>6</sup>	
Hotel Operators' Tax	_____	_____	_____	_____
 TOTAL:	 \$156,923	 \$43,118	 \$562,017	 \$344,637

\*indicates one-time rather than recurring revenues.

- <sup>1</sup> \$54,988 accrues to Winthrop Harbor, \$10,175 accrues to Benton Twp.
- <sup>2</sup> This amount is distributed among the school districts, fire protection district, sanitary district, library district, forest preserve, road and bridge, gravel and college district.
- <sup>3</sup> Revenues accrue to Winthrop Harbor.
- <sup>4</sup> The Motor Fuel Tax is distributed to the State, County and municipality. However, because of the complexity of the computation, it has been left as a lump sum.
- <sup>5</sup> Regional Transportation District is not directed by the County, therefore, it is not included in County figures.
- <sup>6</sup> This is the figure that would be generated from permanent employees on an annual basis. There is also a one-time collection by the State of \$442,074 for short-term employment.

Source: Williams-Kuebelbeck & Associates, Inc.

Problems/Solutions

A major unexpected finding was that an \$8 million marina would not be able to support the originally planned associated landside development and desired economic redevelopment. Instead, a \$36 million project was proposed. Local support was coordinated and used to encourage, through lobbying efforts, approval of the additional appropriation from the General Assembly.

Some potential problems were foreseen and, therefore, handled prior to becoming an obstacle. For instance, in similar development projects, environmental groups have often voiced opposition. However, since the site of the North Point Marina was already considered environmentally disturbed, and environmental groups were carefully included during the planning stages, all were satisfied that the project would not be detrimental to the environment.

This strategy avoided problems, gave all those interested an opportunity to voice their concerns and suggestions, and added to the support of the project.

Another problem arose during the planning of the project, which involved the \$28 million of appropriated funds. Although approved by the General Assembly, the Appropriations Committee has final authority to release the funds. Originally, \$14 million were released, but when the time came to release the remaining \$14 million, the committee was hesitant to do so. The well-organized local support was again called into action to contact their assigned legislators, the situation was resolved, and the money was released.

### Evaluation

Could It Be Done Again?: The success of the North Point Marina funding was the result of an effective use of the government policymaking process. Bipartisan support of the plan on the local level, well executed lobbying efforts of the members of the General Assembly, and support of the governor were key factors in gaining approval of State funds for the project.

Appropriate use of the political process represents a viable approach for project funding. The North Point Marina represents a major economic benefit for the State and region, as well as a method for stemming the outmigration of recreation activity and dollars to nearby states. The combined local and State approach and the persistence of local interests were the keys in funding this project. North Point Marina organizers spent 10 years promoting the idea, and experienced many setbacks along the way, before a viable plan was presented. Even then, problems arose, but they demonstrated the value of persistence, and the value of developing a close association with the policymaking process, as both were required to overcome the challenges.

States differ in their attitudes and approaches to various topics. Constitutions, laws, and processes are different. To accomplish the objective of a State-funded marina, it may be necessary to change the State laws, or be committed to project plans until the political climate changes so a project of this nature can be accepted. Or, the case may be that tourism is being promoted and a marina is seen to enhance resources to attract the tourist industry and is easily approved. Whatever the case, the project organizers must be aware of the current trends of the State policy, and be persistent in their efforts to demonstrate why a marina is a valuable asset to the local and State community.

Programs That Helped Or Hindered?: Current and recent State and County level policy was helpful in gaining necessary support for the marina project. At the State level, the governor had been promoting "Build Illinois", and a \$10 million legislative appropriation was approved to encourage growth in tourism within the State of Illinois. The proposed marina, a project closely associated with tourism, dovetailed with the governor's other efforts.

Economic development policy on the County level was also promoting new industry, including tourism, for Lake County. The County had recently supported a new, 760 slip marina in Waukegan as the focal point of a downtown redevelopment plan. Based on the perception that a great demand existed for

marina slips in the northeastern Illinois area, the County Economic Development Commission viewed the North Point Marina as a component in their long-range economic development plan. It complemented their master plan of new highways, airports, and industry and development, and, as a result, support for the project was overwhelming.

The marina proposal found very few snags once the plan was in motion. Some disgruntled opposition was voiced from representatives of other parts of the State who felt the \$36 million could be more effectively used by social service programs, but the strong political support established during the early stages of the strategy was sufficient to keep the project on track.

## APPENDIX D

### SPUD POINT MARINA

#### COUNTY OF SONOMA, CALIFORNIA

#### INTRODUCTION

##### Historical Background

Spud Point Marina is located on Bodega Bay, California. It opened in 1984 after 20 years of planning, perseverance and patience. Primarily a commercial fishing marina, the idea for this project was initiated by the Bodega Bay Fisherman's Marketing Association when the Association was first formed in 1960. The Association's efforts began to focus on the construction of a modern marina with all the amenities necessary to support their industry, as a result of concern that the Bodega Bay fishing fleet was losing a competitive edge due to antiquated and insufficient facilities such as docks and fuel and ice availability.

Encouraged by Federal legislation passed in 1959, a proposal was presented, and, in 1965, Congressional authorization was given allowing for Federal funding of the project. By 1976, feasibility studies presented by the Economic Development Administration (EDA) indicated support of the harbor project, and the Corps of Engineers began work on the General Design Memorandum and Environmental Impact Statement. These were completed and released in 1981.

In spite of rapid changes in the funding arrangement for this project, (described later in greater detail), the marina celebrated its ground-breaking in 1982. Construction began with the breakwater, necessary to create a protected harbor within the bay for the marina. The 245 slip marina, which partially opened in 1984, consists of at least 80 percent commercial fishing vessel slips (by law) and provides on-site access to fuel and ice through modern delivery systems. A boat hoist and maintenance facility are soon expected to be in operation. A restaurant is planned, which will complete the project as originally designed.

With only one season behind them with 100 percent of the slips available for rental, it is difficult to present conclusive evidence regarding success of the project. Observations have been made that the attitude of the fishermen has become more positive, with a renewed sense of value. Their new facility is regarded with great pride, and boats have been rejuvenated to be worthy of the new marina. A high volume season of fishing has also heightened their spirits, and both factors, together, have made Bodega Bay fishermen positive about their future.

##### Project Funding

Funding for the harbor/marina project was expected to be equally distributed between grants from the U.S. Army Corps of Engineers (COE), the Economic Development Administration (EDA) and the local sector, which would seek loans from the State and County. The project's estimated cost of \$12

million would, therefore, be divided among the three sources, or \$4 million each. The Federal level funding was consistent with policy at the time.

A change in administration at the national level in 1980 brought new policy and severe cutbacks to department budgets. EDA funds for a project of this nature which would benefit the fishing industry became non-existent, and in 1981, officials of the County of Sonoma, the sponsor of the project, were informed that no EDA money would be available. Negotiations were begun to secure an increased appropriation from the COE and an additional loan from the State. Studies were also begun to reduce the scope and cost of the project. The project was scaled down from \$12 million to \$8.3 million.

However, by the time construction started, the COE was also in a budget cutback and was no longer able to contribute a portion of funds to construction costs. The County was now in a position of funding the project solely through State and local resources.

Now that Spud Point Marina is operating, it faces the challenge of generating adequate revenue to pay back the principal of the loans and interest when required. Realizing the need for more income-producing facilities, they were able to get additional funding for the ice-making machinery, fuel system, and boat lift. These items were originally planned but left out when redesigned. Together, with income from slip rentals, these revenue sources are expected to meet operating expense and debt service of the marina.

These estimates are very vulnerable to outside conditions, the most prevalent being the supply and demand of fish. Obviously, higher yields in the fleet's catch will require a greater need for fuel, ice, and even slip rentals. Conditions of the past couple of seasons have been ideal and have helped to give the marina a very positive start.

#### CASE STUDY DESCRIPTION

##### Location

Spud Point Marina is located in Bodega Bay, California, an unincorporated, coastal community in Sonoma County. Responsibility for the public needs of the area lies with the County. Bodega Bay is a natural bay of the Pacific Ocean and is situated approximately 50 miles north of San Francisco and 20 miles west of Santa Rosa, the County seat. Traditionally, the community of Bodega Bay was focused on the commercial fishing industry; however, discovery of the area by land developers is bringing an influx of tourists to the area, who are attracted by the scenic vistas of the bay, surrounding hillsides and the unique characteristics of the fishing community.

##### Size/Physical Description

Along with the natural protection from the ocean provided by the bay, man-made breakwaters exist at the mouth of Bodega Harbor to increase protection. Inside the harbor on the west side (Figure D-1) lies Spud Point Marina, a 245 slip marina, offering yet further protection through its own newly constructed breakwater.

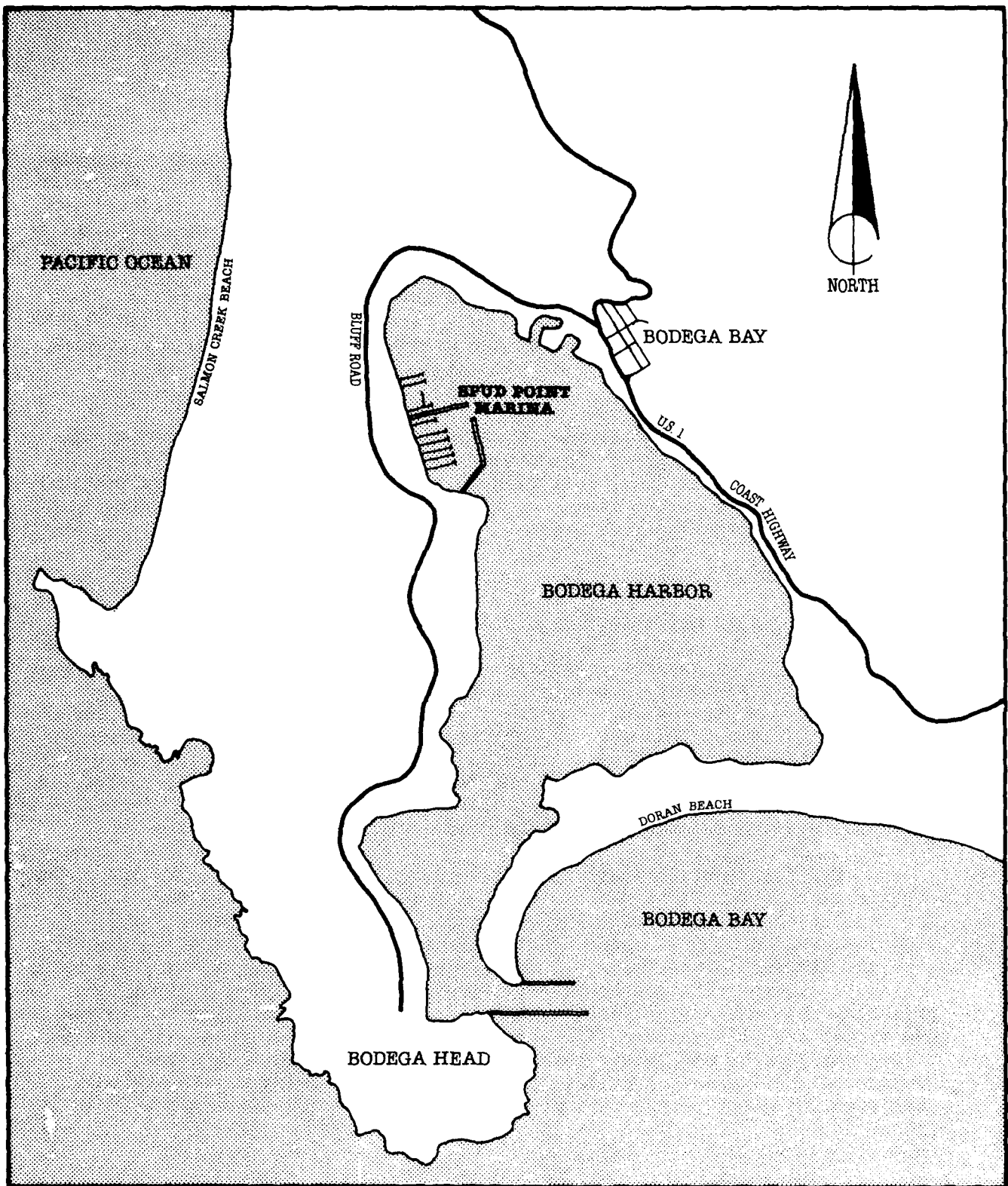


Figure D-1  
**Spud Point Marina**  
(Based on Consultant Report Information)



The marina is a stand-alone project (Figure D-2), with no other associated landside development other than support facilities directly filling the needs of the boat owners. These facilities include an administrative building with restrooms, showers and laundromat. The 32-ton ice-making machine, storage facility and delivery system provides fast and easy access to ice, essential for keeping the day's catch fresh. A modern fuel system is also available. Soon to be operating is an existing 70-ton mobile lift and a proposed accompanying boat yard. Also planned is a restaurant/coffee shop primarily for use by the fishermen. Public use of the breakwater is permitted for fishing.

#### Who Are The Actors?

The fishing industry has always played a major role in the economy of Sonoma County, especially to communities along the Pacific coast. Fishermen have a strong and successful coalition in this region, and this organization, together with local politicians, initiated this project. The following individuals and organizations represent the major actors.

#### Fishing Industry Associations:

- o Fishermen's Marketing Association of Bodega Bay: This organization, created in 1960, was founded to represent and protect the interests of the fishermen and other support activities operating from Bodega Bay. A primary concern of this group is to maintain its competitiveness with other fleets based up and down the coast. Due to antiquated facilities, the Bodega Bay fleet began to sense that they may not be able to maintain a competitive position. Through the efforts of this Association, County officials were convinced of the need to modernize the facilities at Bodega Bay by building a new marina. This organization remains active, and representatives from this Association serve on an advisory committee to the marina.

- o Pacific Coast Federation of Fishermen's Association, Inc.: The parent organization to the Fishermen's Marketing Association of Bodega Bay, the Pacific Coast Federation of Fishermen's Association (PCFFA) has a large constituency and carries considerable political influence. In a joint effort with the California State Coastal Conservancy, it was instrumental in securing legislation to protect the commercial fishermen at Spud Point Marina, by proposing that a least 80 percent of the slips at the new marina be limited for use by commercial fishermen. The remaining 20 percent would be available for recreational use. Additional legislation initiated by PCFFA and the Conservancy, and passed into law, establishes a Spud Point Marina Advisory Committee, four out of the five members being commercial fishermen berthed at Spud Point.

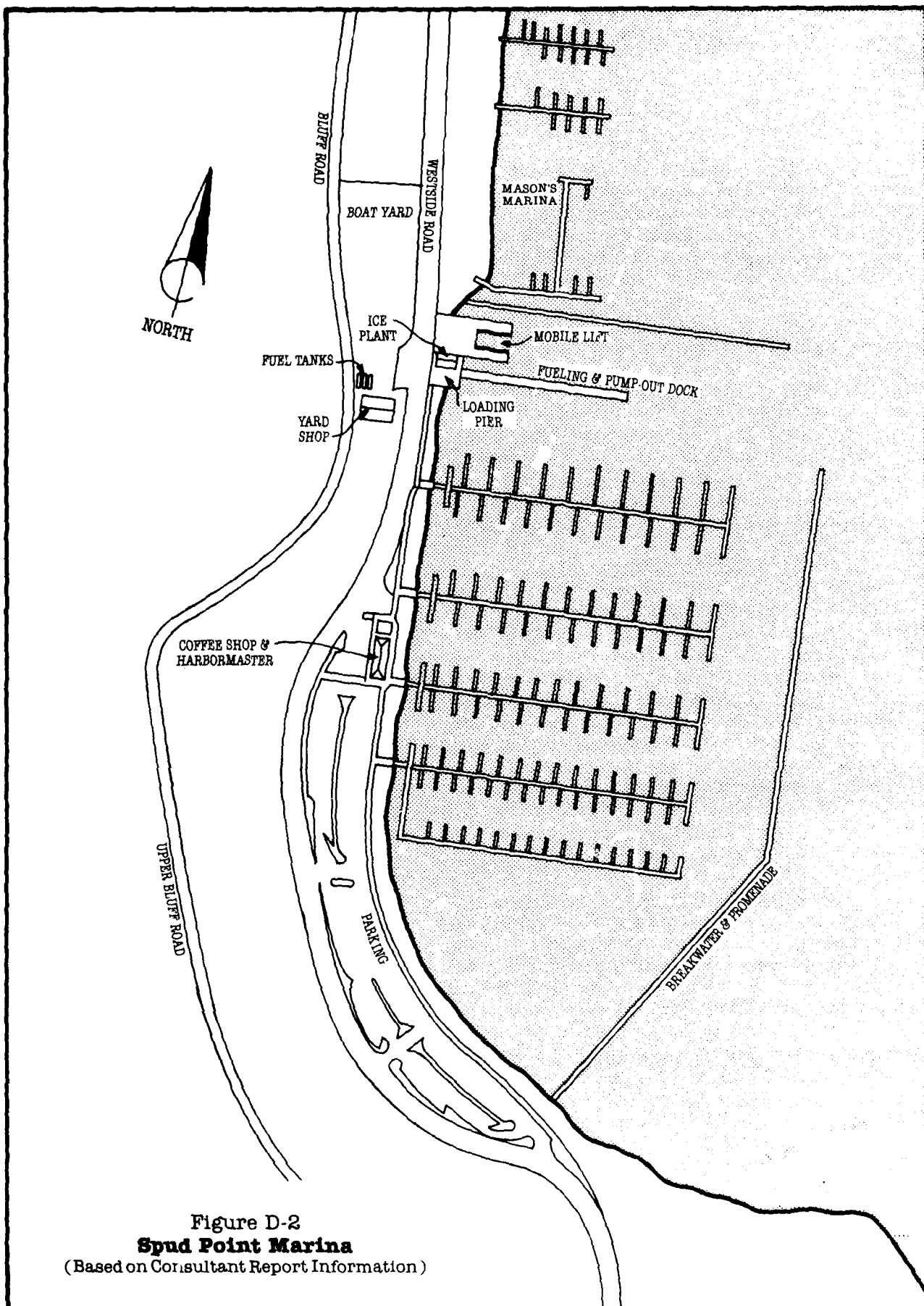


Figure D-2  
**Spud Point Marina**  
(Based on Consultant Report Information)

County of Sonoma: Sonoma County is the owner and operator of Spud Point Marina. Due to the pull-out of Federal funds, it was up to the County to arrange for appropriate financing. Eventually, this required a major commitment by the County to guarantee adequate revenue from the general fund, to operate the marina and repay the debt should income from marina operations be inadequate to cover these costs.

o Board of Supervisors. Ernie Carpenter. Supervisor of Fifth District: Mr. Carpenter's district includes Bodega Bay and other coastal communities in Sonoma County. Based on his understanding of the economic importance of a strong, active fishing fleet in Bodega Bay, which has traditionally been the basic ingredient to the entire fishing industry in the area (including off-loading, packaging and transport services), he supported the efforts of the local and regional associations to establish a new, modern marina facility. His commitment to the project and conviction of its benefit to the community and the County was instrumental in gaining necessary support from the other four supervisors.

o Sonoma County Regional Parks. Joseph D. Rodota. Director: The County Parks Department was assigned the responsibility of seeing that the marina was built, subject to approval by the Board of Supervisors. This included arranging suitable funding, selecting appropriate designs, working with firms doing feasibility and economic studies, as well as with the COE during their involvement, soliciting construction bids, overseeing construction, and operating the marina efficiently to produce adequate income to pay expenses, including debt service. This was, and is, a big responsibility for Mr. Rodota, who had no previous experience in the marina field. However, he has very capably directed the project through each step. His current efforts are focused on operating the marina in a manner suitable to the Spud Point Advisory Board, and producing enough revenue to cover operating expenses and debt service. He works closely with his marina manager, Bob Black, in an effort to achieve this goal.

Spud Point Marina Advisory Committee: The committee was established through legislation in an effort to protect the fishermen's interests in determining slip rental rates, and also to work out other problems that would confront users of the marina from time to time. Under law, four of the five members of this committee must be commercial fishing boat owners docked at Spud Point Marina. The fifth member is a member at large. Although this is an advisory committee, their advice is regarded with great respect and is generally followed.

State-level Politicians: Two representatives to the State of California Legislature from the Bodega Bay area played vital roles in the success of this project. Senator Barry Keene and Assemblyman Doug Bosco created interest in Spud Point on the State level. They used their influence to encourage greater State involvement when funds were being lost from Federal sources. After Assemblyman Bosco was elected to Congress, he managed to secure a \$1 million grant from the Economic Development Administration, despite the original rejection for funds.

### State Funding Agencies:

State of California Department of Boating and Waterways: One of the department's primary objectives is funding the development of public access boating facilities projects. As a result, Boating and Waterways supported the proposed marina at Bodega Bay. Originally, they had agreed to make available a \$4 million loan which would have been adequate to cover the local portion of the proposed \$12 million marina. However, as EDA and COE funds were lost, the Department of Boating and Waterways increased their loan. In spite of some reservations stemming from doubts over the ability of the marina to recover these costs through operations, the department loaned the County of Sonoma a total of \$6.2 million for Spud Point Marina.

The California State Coastal Conservancy: The Coastal Conservancy was created by legislation in 1976 with the purpose: "take positive steps to preserve, enhance and restore coastal resources, and to address issues that regulation alone cannot resolve." When additional funding was still needed to meet estimated project costs of the marina, the Conservancy was approached. Because commercial fishing was identified as a "priority coastal-dependent activity," the marina project was determined eligible for Conservancy funds. To fund the initial construction, a grant of \$1 million was given to the project. Later, an additional \$630,000 interest-free loan was provided to purchase the ice-making facility, mobile lift, and to install the fuel system.

### Federal Agencies:

Economic Development Administration (EDA): Due to efforts by the Fishermen's Marketing Association of Bodega Bay, EDA involvement with Spud Point Marina began in 1976 when they granted the County \$40,000 for a feasibility study. This study brought together numerous ideas, identified problems being experienced by the local commercial fishermen, and focused attention on the marina. Based on their findings, the EDA confirmed a \$4 million grant to be utilized in developing the marina. In 1980, however, with the project ready for construction, EDA funds were eliminated.

U.S. Army Corps of Engineers (COE): Along with providing technical assistance to the County for Spud Point Marina, the COE was to accept one-third (\$4 million) of the project costs. These funds had been authorized through congressional legislation. In 1980, budget cutbacks forced the COE to begin renegotiating their financial commitment to the Spud Point Marina project. Eventually, all construction-related funds were withdrawn completely. A recent (1986) COE decision established its willingness to maintain the channel in the bay through dredging, and to maintain the marina's breakwater in the future.

### Ownership/Leases (Private/Public)

Sonoma County is the sole owner and operator of Spud Point Marina. Future development of associated landside facilities (boat yard, restaurant) may require lease agreements with the County for their operation.

## FINANCING APPROACH

The financing approach used to construct Spud Point Marina evolved from major Federal funding supplemented by low-interest State loans, to the withdrawal of all Federal funds and total funding by State and local sources. Through the determination of officials and interested supporters, adequate funds were secured for the project. This successful effort required a lot of flexibility, perseverance, and compromise on the part of all those involved.

Originally, the funding plan utilized previously available Federal funds to cover two-thirds of the project costs, and a State low-interest loan to finance the remaining one-third. The total \$12 million project would have been constructed with the following funds:

- \$4 Million - Economic Development Administration (EDA) Grant
- 4 Million - U.S. Army Corps of Engineers Funds
- 4 Million - Low-interest (4.5%) State Loan (California)
- \$12 Million - Department of Boating and Waterways)

Due to withdrawal of the above-mentioned Federal funds, it was necessary to locate alternative sources. Local politicians were effective during this process in aligning the cooperation of the Department of Boating and Waterways and the California State Coastal Conservancy to increase their financial involvement. A \$1 million EDA grant was also secured at the last moment by a congressional representative. In addition to this involvement, the project was scaled down to \$8.2 million, leaving only the basic necessities for a safe marina: breakwater, dockage, and administrative building. Ultimately, funding for the project came from the following sources:

- \$6.2 Million - 7.9% Loan - California Dept. of Boating and Waterways
- 1.0 Million - Grant - California State Coastal Conservancy
- 1.0 Million - Grant - Economic Development Administration
- \$8.2 Million

It was soon realized that in order to meet debt obligations, the marina would need more income-producing operations. The fuel system, ice-making equipment and mobile lift, all part of the original plan, were all considered critical if the marina was to generate adequate income to pay the debt. In 1987, the Coastal Conservancy approved a \$630,000 no-interest loan to the project for the purchase and installation of this equipment.

## Parties Involved

County of Sonoma: Although not directly involved in project financing, as sponsor of the project, the County is ultimately responsible for repayment of the debt incurred for construction of the marina. Legislation approving the \$6.2 million Boating and Waterways loan required the County to start an "Enterprise Zone" at the marina. This designation requires all income generated by the marina to be used to cover operating and maintenance costs and debt service. If income is not adequate, the County is obligated to pay the balance.

California Department of Boating and Waterways: Although not convinced of the ability of the marina to generate adequate income to repay the loan, this department reluctantly increased their loan from \$4 million to \$6.2 million, approximately 25 percent of their construction budget. This loan was originally approved at 7.9 percent, but later was reduced to 6 percent.

California State Coastal Conservancy: The Conservancy, described previously, was brought into the funding package to supply a small but critical portion of funds. Without the Conservancy's \$1 million grant, the project could not have been built. This is a primary function of the Conservancy, to provide the last critical funds to put the project over the top and complete the funding package.

Legislation approving this loan grant was unique, in that it included some special conditions. One was a law which mandates at least 80 percent of the 245 slips be used by commercial fishing boats. Another is the provision for the Spud Point Marina Advisory Committee which regulates slip rental fees, including any increases. Limits to slip rental fees are also set forth in the legislation for the life of the loan. Opening rates were to be \$3.50 per foot per month (1982 dollars) with an allowable 8 percent per year increase to 1986 and a 6 percent per year increase for the remaining years. Although this legislation made the loan available to build the marina, and its intent is to support the commercial fishing industry, it does place additional restrictions on Spud Point Marina's ability to generate income from slip rentals.

As important as the initial \$1 million grant was, the later interest-free loan of \$630,000 was equally important. It helped equip the marina with a competitive fuel system, ice-making machine, and mobile lift, and increase its revenue-producing potential.

Economic Development Administration (EDA): In spite of EDA's withdrawal of the original \$4 million, some political maneuvering in Washington, D.C. managed to convince EDA to invest a \$1 million grant to the Spud Point Marina project. Preliminary feasibility study costs of \$40,000 were also funded by EDA.

U.S. Army Corps of Engineers: Although their original \$4 million commitment to this project was not available for construction, the COE did provide technical assistance during preliminary stages of the project. Also, they have agreed to maintain the channels and harbor by dredging when necessary and to maintain the breakwater.

#### Construction Costs and Funding Partners

Construction costs are identified below by the four phases of construction and other generalized categories. Although some figures are based on estimates, most of the costs are actual. These data were supplied to the California State Coastal Conservancy by the Sonoma County Director of Regional Parks in a letter dated January 3, 1984. The County was responsible for collecting the funds and distributing them when necessary. Construction activity was coordinated by the Director of Regional Parks of Sonoma County.

### Project Costs - Initial Construction

Phase I - Dredge Disposal Site Prep.	\$ 465,640.00
Phase II - Dredging	666,000.00
Phase II - Breakwater and Dock Systems	4,076,453.00
Phase IV - Site Improvements	1,180,976.40
Engineering & Inspection	923,806.23
Environmental Studies	282,620.00
Miscellaneous	<u>604,504.37</u>

Initial Construction Costs \$8,200,000.00

### Project Costs - Auxiliary Facilities

Installation of Fuel Storage Tanks and Distribution System	\$ 200,000
32-Ton Ice-Making Machine and 52-Ton Storage System	280,000
Purchase of 70-Ton Mobile Lift	<u>150,000</u>

Total Auxiliary Facilities \$ 630,000

### Total Project Costs

Initial Construction	\$8,200,000
Auxiliary Facilities	<u>630,000</u>

Total Project Costs \$8,830,000

### Funding Partners

California Dept. of Boating & Waterways	\$6,200,000
California State Coastal Conservancy	1,000,000
Economic Development Administration	<u>1,000,000</u>
(Initial Construction)	\$8,200,000
California State Coastal Conservancy	<u>630,000</u>
(Auxiliary Facilities)	

Total Funding \$8,830,000

### Operating Revenues and Expenses

#### Revenue Sources

Slip Rental: Currently, rates for slip rental at Spud Point Marina are \$3.75 per foot per month for permanent slips, and \$.15 per foot per day for transient use. According to the October 1987 budget, this is the largest source of revenue for the marina, and has the potential of raising an estimated average of \$500,000 per year over the next ten years.

Although the County is permitted to raise slip rates by 6 percent, the recommendation has been made by the Spud Point Marina Advisory Committee and County officials to maintain current rates. Reluctance to increase rates, in spite of the need for additional revenue, is due to current vacancies in the marina (85% occupancy) and the rates of competitors which average \$2.25 per foot per month.

Fuel Dock Sales: The marina has been selling fuel since early 1987, in order to generate additional revenue. In one month alone (May 1987), the marina sold approximately 80,000 gallons of fuel. Current 1987-88 budget figures estimate the revenue produced from the sale of gas, oil, and diesel will gross \$406,400 for the first complete year of operation (1987-88), and increase steadily thereafter.

Service Charges: Several services provided by the marina will generate income for the operation. These include the laundromat, ice sales, and the mobile boat lift and other miscellaneous services. When operating at full potential, these services should produce approximately \$120,000 in gross revenue for the first few years and increase thereafter with increased sales and rates. Currently, however, the mobile lift is not operating, and the ice operations are only recently (1987) on line.

Tidelands Lease Revenues: Ownership of the bay bottom is held by the County, therefore, private marinas around the bay lease the bay bottom. Annual revenue generated by these lease agreements is \$22,000, which the County has designated to the marina fund.

Coffee Shop Rents: Eventually, when the coffee shop/restaurant is constructed and operating it will generate additional revenue for the marina through a lease agreement. According to the Williams-Kuebelbeck and Associates, Inc., "Spud Point Marina Rate Study", this income is estimated at \$13,000 per year.

Table D-1 is a summary of the projected income as presented in the 1987-88 budget for the marina and covers a ten-year period.



TABLE D-1

## SPUD POINT MARINA TEN-YEAR PLAN SUMMARY OF PROJECTED REVENUE

	<u>86-87</u>	<u>87-88</u>	<u>88-89</u>	<u>89-90</u>	<u>90-91</u>	<u>91-92</u>	<u>92-93</u>	<u>93-94</u>	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>
Slip Rental	\$357,900	\$380,900	\$453,700	\$504,100	\$533,300	\$533,300	\$565,000	\$565,000	\$565,000	\$598,000	\$598,000	\$598,000
Sales/Gas/Oil	121,300	406,400	467,300	537,400	618,000	710,700	817,400	817,400	817,400	817,400	817,400	817,400
Tidelands												
Lease	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Other Sales												
(ice)	83,400	111,100	137,500	162,000	175,000	210,000	225,000	240,000	240,000	255,000	255,000	270,000
Other Revenue												
(coffee shop, boat yard, etc.)	66,000	53,400	64,300	74,900	75,400	170,600	197,600	254,500	263,000	273,000	284,200	295,300
	\$650,600	\$973,800	\$1,144,800	\$1,300,400	\$1,423,700	\$1,646,600	\$1,827,000	\$1,898,900	\$1,907,400	\$1,965,400	\$1,976,600	\$2,002,700

Operating Expense: Table D-2 describes operating expenses as projected in the 1987-88 budget for the marina. The expenses presented in this Table are estimates of budgeted costs.

TABLE D-2

PROJECTED OPERATING EXPENSE  
SPUD POINT MARINA  
Estimated 1987-88

Salaries, Wages & Benefits	\$170,400
Gas/Oil	320,000
Utilities	59,000
Insurance	54,400
Maintenance and Repair Supplies	20,000
Administrative and Contract Services (accounting, legal, engineering, etc.)	69,000
Fixed Assets	10,000
Other Miscellaneous Expenses	<u>45,000</u>

Total Annual Operating Expenses      \$747,800

Debt Service: Of the \$8.3 million required for the Spud Point project, only \$2 million was in the form of a grant. In 1982, \$6.2 million was borrowed from the State Department of Boating and Waterways at 7.9 percent interest over 50 years. This rate was later re-established at 6 percent. Additional debt of \$630,000 was incurred in 1987 from the State Coastal Conservancy for the purchase of the mobile lift, fuel system, and ice plant. This is an interest-free loan payable over 10 years beginning in 1987. The County was given a one-year grace period after completion of the project before beginning to pay back this indebtedness. This has been extended for an additional year, so major loan repayment will be required beginning in fiscal year 1987-1988.

Table D-3 summarizes the County's debt obligation over the next ten years. Information presented here was acquired from the Sonoma County Department of Regional Parks.

Summary of Revenue and Expenditures: Table D-4 represents the ability of Spud Point Marina to generate adequate revenue to meet the expenditure needs of the operation. The Table is from the budget calculations for 1987-88 presented to the Sonoma County Board of Supervisors.

As can be noted from Table 4, the ability of the marina to cover its expense is not only dependent on capacity slip rentals, but also on the steady sale of a fairly large quantity of fuel and ice. This should not be any problem as long as the fishermen's catch remains stable and demand for their product is consistent.

TABLE D-3

DEBT SERVICE OBLIGATIONS  
SPUD POINT MARINA

	<u>87-88</u>	<u>88-89</u>	<u>89-90</u>	<u>90-91</u>	<u>91-92</u>	<u>92-93</u>	<u>93-94</u>	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>
96.2 Million											
Loan ( @ 6%)	\$25,082	\$25,082	\$145,082	\$425,082	\$585,082	\$585,082	\$577,500	\$577,500	\$577,500	\$577,500	\$577,500
\$630,000 Loan											
(No Interest)	0	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000
Total	\$25,082	\$88,082	\$208,082	\$488,082	\$648,082	\$648,082	\$640,500	\$640,500	\$640,500	\$640,500	\$640,000

TABLE D-4

## SPUD POINT MARINA TEN-YEAR PLAN SUMMARIES

## REGIONAL PARKS

	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
Sal. & Employee Bene.	170,842	170,422	178,943	187,890	197,285	207,149	217,506	228,382	239,801	251,791	264,380	277,599
Services & Supplies	336,099	568,701	627,541	695,593	772,568	859,739	958,569	974,191	990,594	1,007,817	1,025,901	1,044,889
Other Debt	7,756	25,082	88,082	208,082	488,082	648,082	648,082	640,500	640,500	640,500	640,500	640,500
Fixed Assets	0	10,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total Expenditures	514,697	774,205	897,566	1,094,565	1,460,935	1,717,970	1,827,157	1,846,073	1,873,895	1,903,108	1,933,781	1,965,988
Rent - Berthing	357,956	380,952	453,713	504,126	533,332	533,332	565,078	565,078	565,078	598,094	598,078	598,078
Other Sales (Ice)	83,420	111,100	137,500	182,000	175,000	210,000	225,000	240,000	240,000	255,000	255,000	270,000
Sales - Gas/Oil	121,387	406,400	467,360	537,464	618,083	710,796	817,415	817,415	817,415	817,415	817,415	817,415
Other Revenue	88,007	75,438	86,367	96,968	97,110	192,646	219,672	276,511	285,899	295,022	306,261	317,320
Total Revenue	650,770	973,890	1,144,940	1,300,558	1,423,825	1,646,774	1,827,165	1,899,004	1,908,392	1,965,531	1,976,754	2,002,813
Surplus (Deficit)	136,073	199,685	247,374	205,993	(47,110)	(71,196)	7	52,932	34,498	62,423	42,973	36,825
Beginning Fund Bal.	138,211	274,842	474,527	721,901	927,894	880,784	809,588	809,595	862,527	897,025	959,448	1,002,422
Ending Fund Balance	274,284	474,527	721,901	927,894	880,784	809,588	809,595	862,527	897,025	959,448	1,002,422	1,039,246
Future Loan Payment	(25,082)	(88,082)	(208,082)	(498,082)	(648,082)	(648,082)	(640,500)	(640,500)	(640,500)	(640,500)	(640,500)	(640,500)
Unoblig'd Balance	249,202	386,445	513,819	429,812	232,702	161,506	169,095	222,027	265,525	318,948	361,922	398,746

### Successful Arrangements

Other Methods Reviewed: As described in the preceding sections, the funding arrangement utilized by the County of Sonoma was a secondary effort made necessary by the withdrawal of funds originally pledged to this project. No other methods were considered, other than the negotiations between the several funding agencies needed to bring this final package together.

Was This Approach Innovative?: Compared to the traditional approach initially intended to be used, two-thirds Federal funding and one-third low-interest State loan, the final package used to fund the project is innovative. Most likely, it is unique to the State of California for the Department of Boating and Waterways to finance \$6.2 million for one project. Also unique to California is the Coastal Conservancy which made funds available for a segment of construction and also for the purchase of the auxiliary amenities. Without these agencies, the only available source of funds would have been to increase County taxes and, therefore, the project probably would not have been approved.

### Problems/Solutions

Compared to the last minute hunt for funds to build this project, all other situations which surfaced seemed minor. Even a breach in contract by a contractor, which caused some environmental damage, was handled efficiently and effectively by the County leaving them clear of wrong-doing.

Locating funds was solved through a lot of political maneuvering by officials on the local and State levels. Negotiations for the \$1 million grant from the Coastal Conservancy required an agreement that at least 80 percent of slips be reserved for commercial fishing vessels and the establishment of the Spud Point Marina Advisory Committee. Compromise, perseverance, dedication and cooperation were the forces behind the successful solution to their funding needs.

Currently, the problem is focused on whether or not the marina can support itself. With large debt obligations and limited revenue potential, there is concern if marina operating revenue will be sufficient. Lending agencies are mostly concerned that funds be available to maintain the marina as a first-class operation. The County is committed to seeing this is the case by guaranteeing that general tax revenues would be available if needed. However, the marina is intended to be self-supporting, and the understanding of this was behind the push to bring to the marina revenue producing facilities, such as the fuel system, ice plant, and mobile lift. The future boat maintenance yard and coffee shop/restaurant will also be revenue-generating sources for the marina.

### Evaluation

Could It Be Done Again? In California, a similar project with similar financing, with the exception of the \$1 million EDA grant, could probably be done again. Boating and Waterways still has a \$20-25 million construction

budget from which to lend money, although it is less common to fund such a large portion of project costs.

Outside of California, few States have budgets large enough (comparable to Boating and Waterways) to finance \$6.2 million of a single project. Many States offer this money as smaller grants. However, the loan approach utilized by California insures that funds will be available for future projects. And, the Coastal Conservancy appears to be unique to California, so funds of that nature are probably unavailable outside of the State. For a project similar to Spud Point to be funded primarily through state funds, most states would require that special legislation be submitted and approved. This is often infeasible, however, a successful approach is found in the North Point Marina case study description.

Conclusion: Perhaps one of the best ways to capture the essence of the success of Spud Point Marina after its first complete year of operation is to quote from a letter written to the Director of Sonoma County Regional Parks from the Executive Director of the Pacific Coast Federation of Fishermen's Association, dated July 17, 1987. An excerpt from this letter follows:

"...we wish to commend you and your staff for the excellent operation this past year of the Spud Point Marina at Bodega Bay.

As you may be aware, over a million pounds of salmon alone were delivered in Bodega Bay during the month of May. The catch had an ex-vessel value (the price paid to fishermen) of over \$3 million. Of course, the actual value was much more considering the multiplier effect and the turn-over of that money in the local and County economy.

The landings in Bodega Bay would not have happened had it not been for the first class and reasonably priced berthing at the Spud Point Marina, the 24 hour ice and fuel service, and the other facilities there. Without them, as much as fifty percent of the catch would have gone to other ports.

Although there is considerable pessimism in other ports in California regarding the future of commercial fishing, Bodega Bay is a shining star of what the industry is capable of with community support and good facilities. Bodega Bay has established itself along with Fort Bragg as the major salmon port on the Pacific Coast."

In spite of the apparent success of the marina, those involved remain cautious. Large debt obligations must be met, requiring efficient operations. Most prevalent in their thoughts are the conditions over which they have no control. The same conditions which helped bring a success to this year may turn around the next--climate, supply of fish, ocean temperature, consumer demand, and others. The first year's success, however, was a welcome demonstration to the community of the economic benefits this project can have on Bodega Bay, surrounding communities, and the fishing industry. Based on this success, those involved with the marina are optimistic regarding its future.

## APPENDIX E

### MIAMI BEACH MARINA

### MIAMI BEACH, FLORIDA

#### INTRODUCTION

##### Historical Background

For many years, the City of Miami Beach has been concerned with the deteriorating southern shore of the City, an eight-block area extending from the Atlantic Ocean to Biscayne Bay. The decline began in the late 1940s, leaving dilapidated and abandoned buildings and other conditions which bred theft, drug trafficking, pornography and other criminal and immoral activities. In 1973, revitalization plans were initiated for this southern shore area in an effort to stop and reverse the decline. These plans included the construction of a marina as part of the redevelopment effort, although most of these early plans have been discarded.

The idea that a marina in the southern shore would be a positive component of the master plan for this area was always accepted throughout the evolution of the revitalization plans. The City eventually began this project, and by the early 1980s had completed a \$3.5 million project, including the breakwater and two piers. When financial problems began to hamper progress on the marina, the City decided to go to the private sector to complete development. The City would maintain ownership of the property and lease the land to a developer for a share of the gross revenue produced by marina operations. In June 1983, the project to develop and operate the marina was awarded to Carner-Mason Associates, Ltd., and in August 1983, construction once again began on the marina.

Today, the piers, docks and 400 slips are completed. Boaters have access to facilities to take care of their needs, such as restrooms, showers and laundromat. However, the marina complex is not yet complete. Litigation has hindered the progress of the landside development which is to take place on marina property. This development includes restaurants, convenience store, retail shops and office space. Upon resolution of the litigation, this construction will be finished, and a major component in the revitalization plan for the southern shore of Miami Beach will be realized.

##### Project Funding

As mentioned previously, the Miami Beach Marina project was originally started by the City. A total of \$3.5 million was invested in the breakwater and two piers. After some financial difficulties associated with this project, the City decided that the marina venture was better suited to the private sector and opened it up for proposals. In 1983, Carner-Mason Associates, Ltd., responded to the City's request for proposals and won the contract to construct and operate the marina. A long-term lease agreement was negotiated, which will be discussed later, allowing the private firm to use City-owned property in exchange for a percentage of the income.

The Carner-Mason Associates, Ltd. organization needed to secure financing for the estimated \$7.8 million of construction costs. Unable to achieve this through banks, savings and loans, or a "typical" investment firm, a deal was struck with a mortgage company, later defined as the "lender of last resort." With an interest rate set at a minimum of 14.5 percent, it was critical that the marina be constructed on-time and without expensive overruns. It was also critical that the facilities be 100 percent operational as quickly as possible so that adequate revenue could be generated to meet operating expenses and debt obligations.

Difficulties began soon after construction started. Misunderstandings between the developer and the City regarding permits slowed the project down considerably. The result was a delay in completion of the marina facilities and a standstill, even now, in the completion of the landside development. A shortage of cash flow anticipated from these facilities, and essential to meeting their debt, has created problems with the lender. Currently, litigation is in progress to foreclose on the marina complex. Other litigation is underway, which would implicate the City as responsible for the financial problems due to their delay in obtaining the necessary permits.

#### CASE STUDY DESCRIPTION

##### Location

Miami Beach, located in Dade County, Florida, joins the City of Miami as the southernmost cities in Florida, only 50 miles north of the Florida Keys. Separated from Miami by Biscayne Bay, Miami Beach is situated in the enviable position of having the beautiful beaches of the Atlantic Ocean on the East Coast and the bay with its access to the Intercoastal Waterway and the City of Miami on the west.

The marina itself is located on the southern bayside shore of Miami Beach. Immediately to the south is "Government Cut", the passage between Biscayne Bay and the Atlantic Ocean utilized by vessels of all kinds for access between the Port of Miami and the Atlantic Ocean. This prime location, in addition to the City park to the south, and plans for on-going revitalization of surrounding areas, provides a draw to boaters to Miami Beach Marina in spite of the current blighted condition of this area of the City.

##### Size/Physical Condition

Miami Beach Marina is a 400-slip marina surrounded by a newly-constructed breakwater (Figure E-1) constituting 38.5 acres of water. Parking is available at the end of each pier, and two restroom, shower, and laundromat facilities are situated conveniently for boaters. The fuel dock is centrally located for easy access by permanent and transient users.



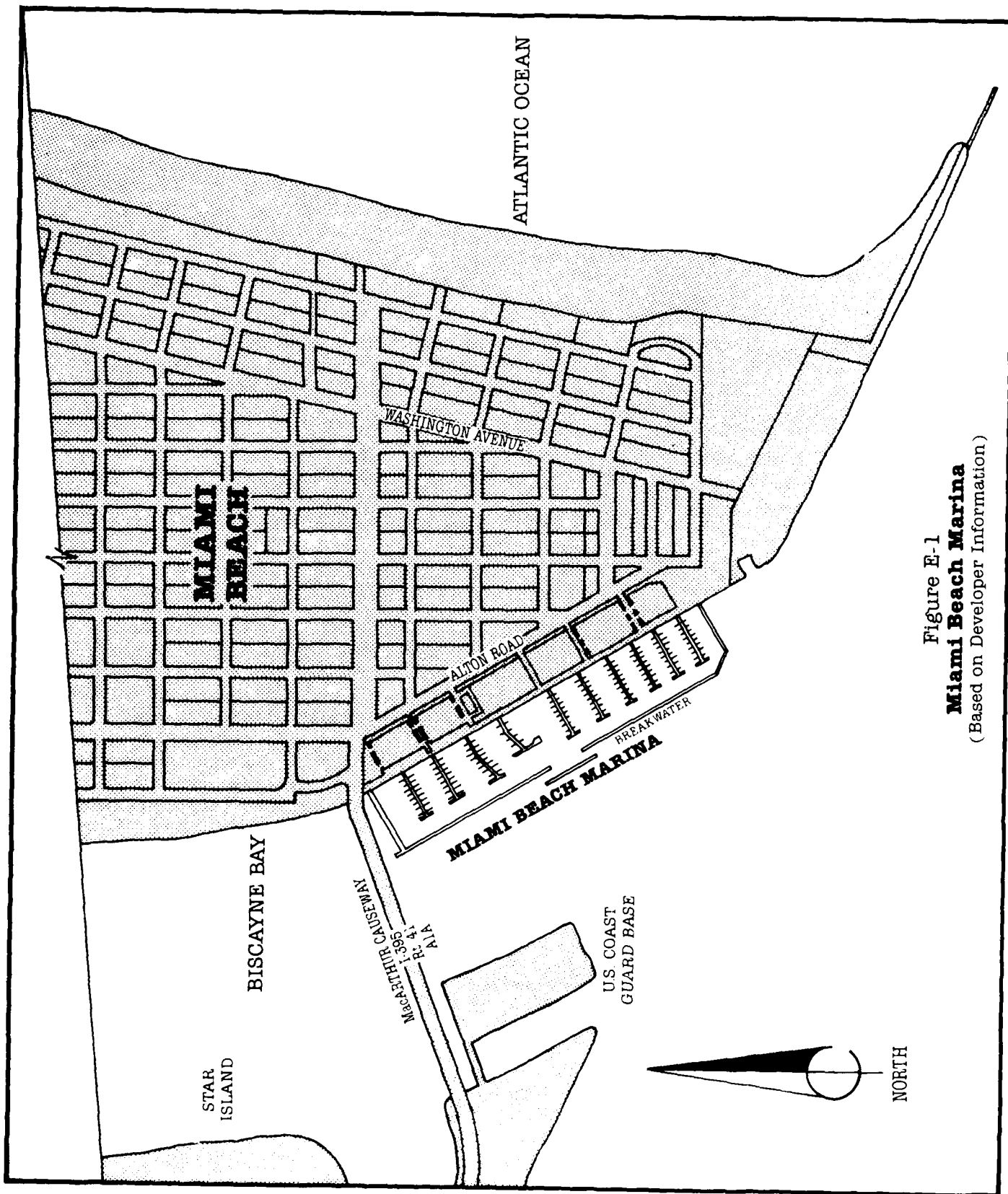


Figure E-1  
**Miami Beach Marina**  
 (Based on Developer Information)

Landside, the marina offices are located at the center of the marina. A total of three acres is available for development by Carner-Mason Associates, and, in addition to marina offices, their complex will include restaurants and lounge, convenience store, retail shopping and commercial office space. These facilities are currently being constructed; however, progress has been slow due to the financial situation. Adjoining property north and south of this complex and adjacent to the marina will include a townhouse/condominium project and parking. An existing high rise accommodating housing for the elderly will remain as part of the revitalization plan.

#### Who Are The Actors?

Involvement in the organization and implementation of this project evolves mostly around three actors: the City, the private developer and the private lender. Described briefly below is the role of each of these actors in this project.

City of Miami Beach: The City is the owner of all the property on which the marina facilities are located. Upon expiration of the private sector's lease, 30 years with an anticipated extension to 60 years, ownership of the facilities constructed on this site will also become property of the City for a \$1 transaction. Although the State of Florida owns the rights to the bay bottom, the City holds the permit for its use. Therefore, all of the ingredients of the marina will eventually become City-owned and controlled.

South Shore Revitalization Plan: One specific area of City involvement is the strategy put together to revitalize the south shore of the City. Prepared under the auspices of the Miami Beach Department of Planning, the revitalization plan developed in 1983 represents the City's approach to solving the problems of the area. The marina is a major component of this strategy.

Permitting Process: The City, in its request for proposal process, was to have available the required permits. The City accepted this responsibility, and alleged failure by the City to complete this step in proper time resulted in construction delays.

Carner-Mason Associates, Ltd.: Carner-Mason Associates, Ltd., submitted a proposal and was awarded the bid to be the private developer and operator of the marina. In their presentation, they proposed a lease arrangement involving percentages of gross income to be paid to the City for use of City property. Specifics of this arrangement will be further discussed in forthcoming sections. Carner-Mason Associates have built a first-class marina, and their operation reflects the same standard.

Private Lender: To support the plan proposed by Carner-Mason Associates, a lender would have to be available to provide necessary capital. A mortgage company contracted with Carner-Mason for a \$7.8 million loan at a minimum interest rate of 14.5 percent.

### Ownership/Leases

Ownership: Three areas at the marina should be addressed with regard to ownership. These include: the property on which the landside facilities are built, the structures which comprise the marina, and the bay bottom being used for the marina. Each one is discussed briefly below.

Bay Bottom: All bay bottoms in the State of Florida are owned by the State and held in public trust. The State may then grant to a municipality a permit to use the bay bottom in conjunction with State regulations. Currently, the City of Miami Beach holds a permit with the State to use the bay bottom on the site of the Miami Beach Marina. The right to use the bay bottom has been passed on to Carner-Mason Associates for the duration of their lease with the City and continued compliance with State regulations.

o Structural Components: The pilings, dockage, boaters' service buildings and the associated landside development are being built and, therefore, are owned by Carner-Mason Associates, Ltd. The lease agreement between this developer and the City spells out the conditions allowing for this private development on City-owned land. Upon expiration of this lease, ownership of the structures will go to the City. The breakwater and first two piers, built by the City, are given to the developer for the term of this lease and upon expiration, ownership will revert back to the City.

o Landside Property: The City of Miami Beach owns 17 acres of property adjacent to Biscayne Bay in the vicinity of Miami Beach Marina. The marina has the use of 3 acres of this available property, as defined in the lease agreement.

Lease Agreement: The lease agreement between the City and developer is a document precisely detailing the expectations of the City for the marina and the mutual understandings between the two parties. Intent of the project is defined in the agreement as well as acceptable land use of the property. An essential and predominant portion of the agreement constitutes fee schedules payable to the City. Based on gross income from slip rentals, fuel sales and other miscellaneous revenue, Carner-Mason agrees to pay 20 - 25 percent of gross receipts, or a minimum payment from \$160,000 for the first year to over \$600,000 per year in later periods, whichever is greater, to the City over the term of the lease. Upon expiration of the 30-year lease, it may be extended, or if not, all property including improvements become City-owned. Carner-Mason is attempting to re-negotiate these fees, based on its current partial operations.

### FINANCING APPROACH

As previously mentioned, it was decided by the City to allow the private sector to finance, construct and operate the marina on the south shore of Miami Beach. This decision was reached after the initial construction of \$3.5 million of improvements by the City, including the breakwater and two piers. The project was opened to proposals and awarded to Carner-Mason Associates, Ltd.

Financing for the Carner-Mason development (remaining piers and landside facilities) was arranged with a mortgage lender. Their agreement was for a principal amount of \$7.8 million at a minimum interest rate of 14.5 percent (2.5 percent over float). The current debt is about \$11.0 million.

Due to problems with permitting, construction has been impeded, and revenues have not been sufficient to meet principal and interest payments. More favorable financing is being sought, which would hopefully reduce interest rates. Negotiations are continuing in an effort to resolve pending litigations and to obtain more favorable financing conditions.

#### Parties Involved

City of Miami Beach: As owners of the property, the City will receive their agreed-upon portion of gross income. Their role also included the funding of the breakwater and first two piers, which were completed prior to the agreement with Carner-Mason Associates, Ltd.

Carner-Mason Associates, Ltd.: As developer of the marina and associated landside facilities, it is their responsibility to secure adequate and appropriate financing. This was initially accomplished through a private financial institution, which provided a \$7.8 million loan at a minimum of 14.5 percent interest. Unfavorable terms are forcing the partnership to seek permanent financing from a different source.

Private Lender: The private lender loaned Carner-Mason Associates \$7.8 million to construct the Miami Beach Marina in 1983. Currently, foreclosure proceedings are underway because of default on the loan. Counter litigation is also underway by the developer.

#### Construction Costs and Funding Partners

Construction Costs: Total construction costs for Miami Beach Marina are estimated at \$11,346,000. Roughly broken down, this would be an estimated \$8 million for waterside development and the balance of approximately \$3.5 million for landside development.

Construction was accomplished in segments according to the following generalized timetable and estimated costs:

Phase 1 - Breakwater and 2 Piers (pre-1983)	\$ 3,546,000
Phase 2 - Remaining 9 Piers, Fuel System, Boaters' Service Buildings (1983-85)	4,454,000
Phase 3 - Administrative Offices, Convenience Store, Restaurants, Retail Space, etc.	<u>3,346,000</u>
Total	\$11,346,000

Funding Breakdown: Financial arrangements for funding this project were made, at different times, by the City of Miami Beach and Carner-Mason Associates, Ltd. The breakdown of the approximate funding responsibilities of each party are as follows:

City of Miami Beach	\$ 3,546,000
Carner-Mason Associates	<u>7,800,000</u>
	\$11,346,000

Information on the approach used by the City to fund the \$3.5 million is not available, as a result of current litigation.

Operating Revenues and Expenses: Year-round slip rentals are expected to be the source of the largest percentage of income generated by the Miami Beach Marina. Based on the current rate of \$10.50 per foot per month, the income is estimated at \$1,800,000 in 1988. Other large revenue producers are the sale of fuel and transient slip rentals. Table E-1 presents estimated income for the marina for five years, beginning in 1988. It should be noted that these figures are based on the assumption that all litigation will be resolved by the end of 1987, construction of the remaining landside facilities will be completed, and an increasing amount of slips will be rented.

TABLE E-1

PROJECTED INCOME FOR THE MIAMI BEACH MARINA  
(1988-1992)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Dry Stack Storage	\$ 36,000	\$ 90,000	\$ 132,000	\$ 144,000	\$ 156,000
Permanent Dockage	1,800,000	1,980,000	2,178,000	2,395,000	2,634,000
Transient Dockage	630,000	693,000	762,000	838,000	921,800
Fuel Sales/Gas	595,600	655,100	720,600	792,600	871,860
" " /Diesel	382,900	421,100	463,200	509,500	560,450
Retail Sales	169,500	186,400	205,000	225,500	248,050
Juniors - Rentals	36,000	-	-	-	-
Special Events	220,000	242,000	266,200	292,800	322,080
Main Building-Rentals	131,057	257,892	313,918	496,955	566,795
Miscellaneous Income	<u>39,600</u>	<u>43,500</u>	<u>47,800</u>	<u>52,500</u>	<u>57,750</u>
Total Income	\$4,040,657	\$4,568,992	\$5,088,718	\$5,696,855	\$6,339,285

Table E-2 indicates projected costs and expenses for the marina. The general categories listed are the cost of goods sold, rent to the City of Miami Beach (based on lease agreement) and operating expenses. Payroll, electricity and insurance constitute the majority of operating expense. A summary of these expenses is below. These data are based on information provided by Carner-Mason Associates, Ltd.

**TABLE E-2**  
**PROJECTED COSTS AND EXPENSES FOR THE MIAMI BEACH MARINA**  
**(1988-1992)**

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Cost of Goods Sold:					
Gasoline	\$ 397,000	\$ 436,800	\$ 480,400	\$ 528,400	\$ 581,240
Diesel	255,300	280,700	308,800	339,700	373,670
Retail Merch.	67,800	74,600	82,000	90,200	99,220
Rent-City of Miami	258,000	297,000	331,000	371,000	413,000
Operating Expenses	<u>1,067,132</u>	<u>1,173,845</u>	<u>1,291,229</u>	<u>1,420,352</u>	<u>1,562,357</u>
Total Costs & Exp.	\$2,045,232	\$2,262,945	\$2,293,499	\$2,749,652	\$3,029,487

Based on the income and expense figures presented in Tables E-1 and E-2, Table E-3 shows the amount available for debt service. If refinancing can be arranged, this is the "projected" maximum annual principal and interest payments affordable over five years. A remaining balance would then be profit, to be distributed to the partners.

**TABLE E-3**  
**PROJECTED AMOUNT AVAILABLE FOR DEBT SERVICE AND DISTRIBUTION**  
**MIAMI BEACH MARINA**  
**(1988-1992)**

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Total Income	\$4,040,657	\$4,568,992	\$5,088,718	\$5,696,855	\$6,339,285
Total Expenses	<u>2,045,232</u>	<u>2,262,945</u>	<u>2,293,499</u>	<u>2,749,652</u>	<u>3,029,487</u>
Net Available for Debt Service and Distribution	\$1,995,425	\$2,306,047	\$2,595,219	\$2,947,203	\$3,309,798

Figures for debt obligation under the current loan arrangement are not available. However, due to vacancies in slips and the incomplete landside facilities, the marina has not been able to generate adequate revenue to cover costs and debt service. However, the figures presented in Tables E-1 to E-3 are regarded as realistic projections by Carner-Mason Associates representatives, based on the anticipated resolution of litigation, of successful refinancing, and from capacity slip rentals.

#### Successful Arrangements

Based on demand estimates for boat slips of 30,000 in the southeastern Florida region, Carner-Mason saw a marina enterprise as a sure investment. Unlike the objectives of a public project, the private sector is basically driven by the motive of potential profit. In spite of the many misunderstandings and difficulties, Carner-Mason Associates still view the marina as the source of a profitable investment.

### Other Methods Reviewed

Private financing was the only option available to the group awarded the lease agreement of the marina. Due to many unknown factors influencing the marina's success, and a lack of industry-wide information to guide potential lenders, the financing of this project was difficult. The institution which eventually agreed to provide the funds was not the preferred financier. However, the money was successfully arranged, and the project was constructed and is now in operation.

Was This Approach Innovative? Private sector financing is not very complicated. Because of the legal limitations in this case study, it was not possible to discuss the financing approach with the lender. As an alternative, numerous banks in the Miami area were contacted for information concerning their requirements. Marina financing is generally handled like any other property development project. As a result, a bank's decision to finance a project relates to the details of the project (proforma financial statements) and the investor's borrowing potential.

### Problems/Solutions

Financial success for the Miami Beach Marina is being hindered by problems which began during the permitting process, and have slowed construction of landside development to a virtual halt. Although all permits are now in place, outstanding litigation derived from these problems are causing concern to potential tenants and creating a "wait and see" attitude. Also, the expense of litigation has forced construction activity to take a back seat, and inadequate funds are available for continuance of the project.

Solutions to these problems are forthcoming, either through negotiations or legal proceedings. When these issues are resolved, the marina operation will continue with probable financial success.

### Evaluation

Could It Be Done Again? Privately financed marinas, like any private venture, are dependent upon the availability of equity, the perceived amount of risk, and a financial lender. Lenders will invest in any project that assures them an acceptable return on their money, as long as it is viewed as a relatively safe investment.

Programs That Helped or Hindered? The South Shore Revitalization Strategy, prepared for the City of Miami Beach, and based on a previous City redevelopment plan, initiated the way for the Miami Beach Marina. The concept of a marina on its present location was supported and sponsored by the City as an integral part of the revitalization of the south shore area.

The private development portion of this marina was not eligible for public funds. The additional costs of financing a private project compared to the free or low-interest funds often provided for public projects leaves the private developer with higher costs to recover. To recover these costs often means higher slip rentals or fuel prices compared to a neighboring public

marina. In an area like southern Florida, where both public and private marinas exist, this could place the private marina in a disadvantaged position. Under these situations, it is difficult for a private marina to be competitive with a public marina, which offers to the boater similar services at a lower cost.

Conclusion: The problems encountered in this case study should suggest the need for caution to other potential marina developers. The first word of advice, as offered by a Carner-Mason representative, is to be sure that all necessary permits are in order and in hand before any construction begins. The delay in the start of construction activity while this process is taking place is felt to be preferable to delays during construction, leading to subsequent default of loans. Also noted is the importance of finding workable lending arrangements.

Finally, do not expect to be able to rent out slips during the construction phase. Not only do boat owners want a clean, dirt and mud-free environment for their vessels, they want a clean, scenic environment for themselves, with all amenities close at hand. On-going construction and delays in providing certain services to the boaters are seen as partial reasons for the vacancies in the Miami Beach Marina.

Private financing provides another method for constructing a marina. As was seen here, it has many of the same problems to consider that public marinas face and some other ones as well.



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